Austria	Sch24	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.700	Iran	Rls210	Philippines	Pso40
Belgium	BFr65	Israel	Shk3.50	Poland	Zl 9,000
Cyprus	C£0.90	Italy	L2000	Portugal	Es145
Denmark	DKr12.00	Jordan	JD1	Qatar	QR8.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	FM8.50	Lebanon	L£400.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta165
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr180	Morocco	MDh8.00	Switz	SFr2.50
Hong Kong	HK$12	Neth	Fl 3.25	Thailand	Bht50
Hungary	Ft107	Nigeria	Naira10	Tunisia	Din0.800
Iceland	IKr160	Norway	NKr12.00	Turkey	L2000
India	Rs15	Oman	OR1	UAE	Dh7.00

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TAIWAN
Why it is not another Japan
Page 17

World News

Bonn to pay $7.5bn for Moscow's military exit

West Germany has agreed to pay Moscow $7.5bn for withdrawing Soviet troops from what is now East Germany by the end of 1994, a Bonn finance ministry spokesman said. Final accord, Page 4

Mandela warning

Nelson Mandela, deputy president of the African National Congress, warned that the South African peace process would be threatened unless Pretoria acted to end violence in black townships.

Doe troops hunted

Heavy fighting was reported in the Liberian capital, Monrovia, where rebels hunted troops loyal to President Samuel Doe, apparently killed in a surprise attack on Sunday. Ruthless dictator, Page 6

Israeli scandal fear

Israeli Interior Minister Aryeh Deri said his Shas party would be considering its future after a widening public funds scandal. The news raised fears for the governing coalition.

Park rapists jailed

Three teenagers were sentenced to serve up to 10 years in jail for raping and beating a woman jogger in New York's Central Park in April 1989 in a case that shocked America. But they will be eligible for parole in five years.

Airliner down in sea

A Peruvian-owned Boeing 727 airliner en route from Iceland to Miami ditched in the Atlantic 180 miles southeast of Newfoundland, a Canadian search and rescue official said. There were 15 people aboard.

Greek banks shut

A wave of strikes in Greece shut banks, public transport and government services in a protest against economic austerity measures.

Discovery date set

The US space agency said it would try to launch the shuttle Discovery on its top priority astronomy mission on October 5 without repairing a slow leak in an air conditioner.

Korean flood toll

Torrential rains caused flooding in South Korea which left at least 35 people dead or missing. Thousands were left homeless by rising water and landslides. Photograph, Page 6

Bomb hits barracks

A car bomb blast outside a Spanish civil guard barracks in Cartagena injured eight people.

Panama cocaine haul

Panamanian police joined with US drug agents to confiscate more than two tonnes of cocaine valued at $52m in Panamanian waters, the largest drug seizure in the country's history.

Six killed in club

Six men died and 24 were injured in a triad-linked petrol bomb attack on a crowded mahjong gambling club in Hong Kong.

Hijacker sentenced

A Swedish court sentenced Soviet teenager Mikhail Mokretsov to four years in jail for hijacking a domestic Aeroflot flight to Stockholm. But it refused to deport him.

Drugs case demand

A prosecutor at Bellinzona, Switzerland, demanded eight-year sentences for two Lebanese brothers, Jean and Barkev Magharian, accused of laundering drugs money and said their profits "stink with the odour of drug deaths".

Merlin's forest burns

About 1,250 acres of the Broceliande forest in Brittany, where the fairytale wizard Merlin is said to be buried, has gone up in smoke, apparently the work of arsonists.

Business Summary

Enron and ICI to build £700m power station in UK

Final contracts for one of the world's largest gas-fired power stations to be built at a cost of over £700m ($1.3bn) at Teesside in England, were signed by Imperial Chemical Industries, Enron Power Corporation of the US and four of the regional electricity companies. Page 18

BCE, Canadian industrial conglomerate and holding company for Bell Canada, is selling its main energy holding, 48.8 per cent of TransCanada PipeLines (TCP), in a secondary offering. Page 19

HOARE GOVETT, UK stockbroker bought by Security Pacific in 1986, is to be split in two as part of a deal in which 51 per cent of the company is being returned to the broker's employees. Page 19; Lex, Page 18

FLUOR, world's largest engineering and construction services company, reported an 18 per cent improvement in third-quarter profits, at $40m after tax. Page 21

RENAULT, French state-owned car maker, has confirmed that Koyo Seiko, offshoot of Toyota, Japanese car group, is to pay around FFr100m ($19m) for a stake in its steering systems division. Page 19

COLUMBIA Savings & Loan, insolvent California thrift, moved one step closer to being taken over by the federal government when thrift regulators rejected its plan to sell its junk portfolio. Page 21

ISRAEL and the Soviet Union have reached initial agreement to produce jointly, with US co-operation, civilian cargo aircraft for world markets using Soviet bodies and American engines. Page 18

BOND Corporation Holdings, stricken Perth-based group headed by Mr Alan Bond, has released details of a possible debt-for-equity swap with its main unsecured creditors. Page 22

MALAYAN Banking, Malaysia's largest bank, has forecast a 1990-91 pre-tax profit of M$360m ($134m), down 3 per cent from the M$371m it reported for the year to June. Page 22

BANGLADESH has imposed restrictions on spending, and rationed foreign exchange and embargoed creation of new jobs to counter the economic impact of Gulf crisis. Page 6

JAPAN'S main manufacturers remain confident about the prospects for business expansion but their profit growth is slowing, according to a quarterly survey by the Bank of Japan. Page 6

AIR INDIA warned that it could go into the red this year as a result of the Gulf crisis, saying it will have to spend Rs2bn ($112m) more than it had budgeted for. Page 22

SAMACOR and Highveld Steel, South African ferro-alloy producer, has suspended negotiations over a proposed R2.8bn ($1.1bn) stainless steel joint venture with its Taiwanese partner, Yieh Loong. Page 22

VENEZUELA has asked the Bush Administration to help finance major expansion projects for its petroleum industry and encourage American companies to invest in its oil sector. Page 29

PENINSULAR and Oriental Steam Navigation half-year profits fell by 22 per cent to £133.1m ($244m) compared with £169.3m in the first half of last year. Page 19; Lex, Page 18

ARGENTINA'S President Carlos Menem has ordered an investigation into the loss of $67.5bn by the central bank over the past decade. Page 7

GROUPE BRUXELLES Lambert, Belgian holding company vice president, Gerard Eskénazi, has resigned. Page 20

Gorbachev backs radical switch to market economy

By Quentin Peel in Moscow

PRESIDENT Gorbachev yesterday threw his weight behind radical reform plans which call for sweeping privatisation of the Soviet economy and large-scale liberalisation of prices.

His move leaves Mr Nikolai Ryzhkov, his Prime Minister and long-time ally, fighting for political survival in defence of far more cautious plans for a managed transition to a market economy.

The radical proposals Mr Gorbachev has backed were yesterday adopted by the Russian Federation parliament as its own plans for the republic, led by Mr Boris Yeltsin.

Mr Ryzhkov's last hope today is that he can persuade the union parliament, the Supreme Soviet, to back his reforms against the more radical plan drawn up by Mr Gorbachev's closest economic advisers – Professor Stanislav Shatalin and Professor Nikolai Petrakov.

In an emotional address yesterday, the Prime Minister staked his reputation on his plan, insisting that fundamental differences remained with Prof Shatalin. He warned that any attempt to switch rapidly to a market economy, as under the Shatalin plan, could cause wide social unrest and a popular backlash against any future reform efforts.

Yet he appeared unable to convince an audience of sceptical deputies – whose constituents are facing chronic shortages of basic commodities such as bread, meat, salt and cigarettes – that he had a better alternative.

After being attacked for failing to present a plan yesterday, Mr Gorbachev waded into the debate with his own conclusions.

Mr Gorbachev said: "If you ask me, I am more impressed by the Shatalin document," referring to a plan which would seek to revive the notion of private property as the cornerstone of the Soviet economy and return state property to the people in a mass privatisation programme.

He said the plan appealed to him for "integrating the ideas of the constituent republics," a direct reference to its backing in the Russian republic and its probable support from most of the rest of the republics. "If there is a real plan to stabilise finances, money circulation, the rouble and the market, then we should adopt the Shatalin idea."

Mr Gorbachev still fought to defend the reputation of his Prime Minister, whose personal popularity has slumped in recent months through his failure to find an acceptable reform programme, but then proceeded to damn Mr Ryzhkov with faint praise. "If someone proves incompetent, let us remove him, but in a normal fashion, not simply push him to the wall," he said.

Other members of the parliament were much less sympathetic to the government, prompting the normally phlegmatic Tass news agency to say the Prime Minister was subjected to a cross-examination which "at times reminded one of a schoolboy guilty of not having done his homework."

The Shatalin plan, the revised government plan and an attempted compromise drafted by Professor Abel Aganbegyan, will be presented to the parliament today.

Soviet economy awaits the knife, Page 4

Prime Minister Ryzhkov: under pressure to step down

Iraqis use French equipment to jam US surveillance

By Lionel Barber in Washington and George Graham in Paris

THE Bush Administration has asked France to hand over information on sophisticated French equipment which Iraqi forces have been using to jam electronics on US and Saudi Arabian eavesdropping aircraft.

The jamming has worried US military planners who rely heavily on Boeing Awacs surveillance aircraft to track Iraqi forces in the Gulf.

US experts are working on countermeasures, but it remains unclear how far Paris is prepared to share information about the equipment, supplied to Baghdad by Thomson-CSF, the state-owned military electronics group.

In the past the US has been reluctant to share technology with the French who do not belong to Nato's integrated military command. In the European Fighter Project, for example, the Americans have been generally willing to share sensitive electronic technology with the British and Germans, but have withheld access to the French, much to the irritation of Paris.

The Awacs aircraftare flying round-the-clock missions along the Iraqi-Saudi border and over the Gulf. Several experienced jamming shortly after the Iraqi invasion of Kuwait.

US experts originally thought the jamming was due to Soviet-supplied equipment operated by Iraqis worried about US air superiority in the Gulf. But attention soon turned to France, which for years has ranked second only to the Soviet Union as a military supplier to Iraq.

Thomson-CSF ranks among the largest French arms suppliers, and has at least 16 employees held hostage in Kuwait. The company refuses to comment on its links with the Baghdad regime; but out of 26 Iraqis under special surveillance inside France, eight were on a recent training course in radar countermeasures at Thomson's Brest plant.

Last January, Thomson won a FFr900m contract to convert Soviet Ilyushin transport planes into airborne early warning planes, according to Mr Pierre Marion, former head of French intelligence. The contract included the supply of

Continued on Page 18
Israel and Soviet Union plan aircraft venture, Page 18

Lockerbie report suggests aircraft modifications

By Paul Betts, Aerospace Correspondent in London

MODIFICATION of existing passenger aircraft to reduce the overall impact of a bomb explosion, coupled with changes in future aircraft design, are suggested in the official accident report into the the Lockerbie air disaster in which 270 people died 21 months ago.

The report, published yesterday by the UK Department of Transport's Air Accidents Investigation Branch (AAIB) claims that it should be possible to limit damage caused by an explosive device in a baggage container on a Boeing 747 or similar aircraft to enable it to land successfully, although there might still be loss of life on board.

It recommends that aircraft manufacturers and government airworthiness agencies undertake a systematic study to improve the tolerance of aircraft structures and systems of explosion damage.

The report urges the application to passenger airliners of techniques used on military aircraft to reduce their vulnerability to battle damage. It also calls for flight recorders to be improved to ensure that they keep working after a power failure.

The exhaustive report covers all the technical aspects of the bombing of Pan Am Flight 103 over the Scottish village of Lockerbie on December 21 1988. The report says the aircraft was destroyed within two to three seconds after an improvised bomb exploded in the forward cargo hold.

Mr Cecil Parkinson, the Transport Secretary, said the investigation was the most extensive ever conducted by the AAIB. The report was also praised by Dr Jim Swire, a spokesman for the relatives of British passengers killed in the crash.

But Dr Swire, who lost a daughter in the accident, mixed his praise with renewed criticism of airport and airline security.

Aircraft manufacturers and government regulatory agencies said that it was impossible to build a bomb-proof aircraft. The UK Civil Aviation Authority suggested that it would never be possible to design an aircraft capable of withstanding an explosion of Lockerbie proportions, but aircraft could perhaps be designed to land safely after lesser explosions.

Boeing, the manufacturer of the 747, said it would look into the AAIB's recommendations, but added that the best way to prevent a bomb destroying an airliner was to prevent it getting on board.

Scottish police concluded last year that Semtex high explosive had been hidden inside a radio-cassette recorder smuggled on board the aircraft at Frankfurt.

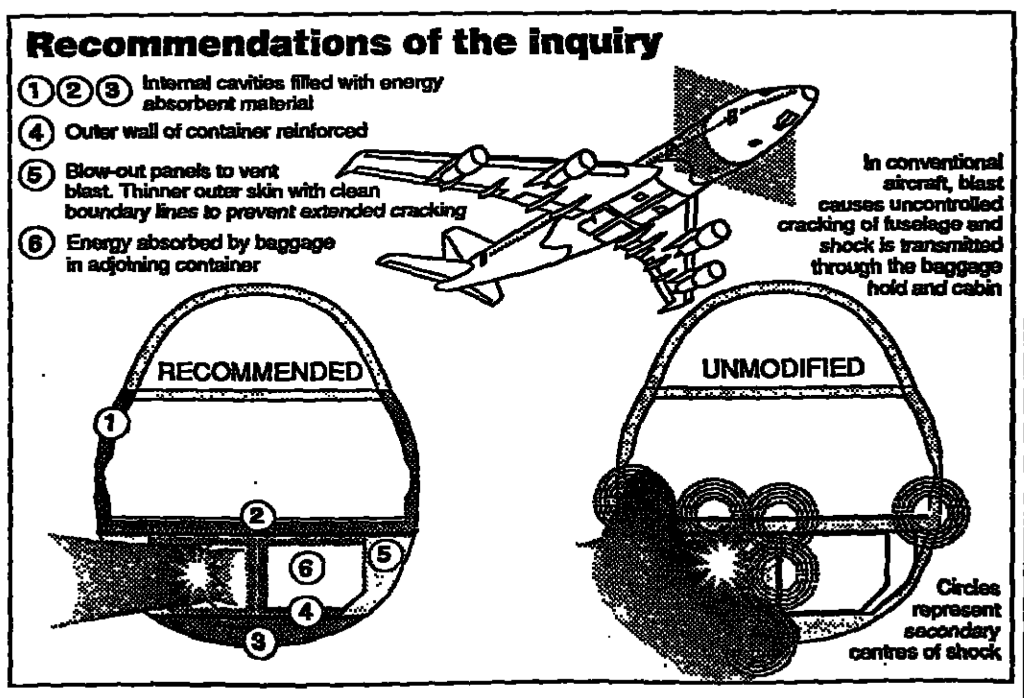
"The accident was not survivable," the report concludes after giving a chillingly technical description of the crash. There were no last words from the cockpit voice recorder, only "a sudden loud sound".

No evidence was found of any defect or malfunction in the aircraft that could have caused or contributed to the accident. The report says the structure was in good condition and the minimal areas of corrosion did not contribute to the accident. It adds that one minor fatigue crack, about three inches long, was found in the fuselage skin but this had not worsened during the mid-air disintegration.

A fatal accident inquiry is due to open in Dumfries next month.

Analysis, Page 12; Flight path to safer skies, Page 28

Recommendations of the inquiry



Tokyo funds switch from US to Europe

JAPANESE institutional investors have started to reverse their investment strategy of the 1980s by becoming heavy net sellers of US securities during the first half of this year.

Ministry of Finance officials in Tokyo indicate that recently compiled figures on outward portfolio investment show the first sustained net selling of US securities since 1982.

In the first six months of this year, these net sales amounted to $8.9bn.

There were also net sales of UK securities of $2.3bn in the first half – another abrupt reversal of previous trends – although Japanese institutions maintain that they have a long-term interest in UK securities markets.

The shift in Japanese investment patterns has been triggered partly by institutional attempts to cover serious losses suffered in the Tokyo stock market plunge. It has also been influenced by the growing appeal of continental European securities, of which Japanese institutions have been large-scale buyers in the first six months of 190.

The trend has been accentuated by the diminishing appeal of the US treasury bond market – there are only about 0.5 percentage points between US and Japanese benchmark bond rates – and general expectations of a stronger yen and a weaker dollar.

The shift in funds has important consequences for US fiscal policy: Japanese institutions have routinely taken 30 to 40 per cent of issues at US Treasury bond quarterly refunding auctions.

For the first half, total net Japanese purchases of foreign securities totalled $17.95bn, down from $45.29bn in the same half last year.

Details, Page 24

CONTENTS

Bogotá plans to throw off its economic straitjacket

Despite impressive growth rates through a period of violent upheaval, international investors are staying away from Colombia. Can President César Gaviria (left) bring them back?
Page 7

MARKETS

STERLING
New York lunchtime:
$1.8477
London:
$1.85 (1.857)
DM2.9425 (2.9375)
FFr9.855 (9.8325)
SFr2.4575 (2.4475)
Y258.75 (258.5)
£ index 93.2 (93.4)

GOLD
New York: Comex Dec
$380.5 (384.8)
London:
$381.0 (385.25)

N SEA OIL (Argus)
Brent 15-day Oct
$31.15 (29.25)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.5365
FFr5.3365
SFr1.3318
Y140.2
London:
DM1.5905 (1.5815)
FFr5.3275 (5.295)
SFr1.329 (1.3185)
Y139.8 (139.15)
$ index 63.7 (63.4)
Tokyo close: Y139.85

US lunchtime rates
Fed Funds 8%
3-mo Treasury Bills: yield: 7.67%
Long Bond: 97 $\frac{9}{16}$
yield: 8.98%

STOCK INDICES
FT-SE 100:
2,144.3 (−2.7)
FT Ordinary:
1,651.0 (−4.1)
FT-A All-Share:
1,039.42 (−0.1%)
New York lunchtime:
DJ Ind. Av.
2,602.48 (−13.11)
S&P Comp
320.01 (−1.62)
Tokyo: Nikkei
24,604.86 (−476.24)

LONDON MONEY
3-month interbank:
closing 15-14 $\frac{7}{8}$
(14 $\frac{15}{16}$ - 14 $\frac{7}{8}$)
Liffe long gilt future:
82 $\frac{25}{32}$ (82 $\frac{27}{32}$)

Another four countries abandon missions in Kuwait

By Victor Mallet

FOUR MORE countries said yesterday their diplomats were abandoning their missions in Kuwait, because of food and water shortages and violence in the capital.

Switzerland, Austria, Greece and Bangladesh all emphasised that the action did not imply any recognition of Iraq's annexation of Kuwait.

Only a dozen missions will now be left open. Before Iraq invaded on August 2 more than 60 countries had diplomatic representation in Kuwait. Iraqi troops have surrounded several embassies and prevented people from entering or leaving.

Among those defying an Iraqi order for diplomats to move out of Kuwait are the US, Britain and seven other nations of the European Community. Most of the remaining diplomats will be forced to leave within weeks by shortages of supplies.

The Greek Foreign Ministry said it was forced to evacuate the embassy by the "seriousness of the situation and unbearable living conditions", but it emphasised that the mission was not formally closed.

Greece condemned "the violation of every sense of international legality and elementary rules of human conduct in the treatment of embassy personnel by the Iraqi invasion forces".

Bangladesh, with thousands of its citizens still trapped in Kuwait, said it was closing its embassy because it could not provide consular services. Switzerland blamed growing lawlessness and looting by stranded Asians for the withdrawal of its two diplomats; all Swiss citizens who wanted to leave had already done so.

Britain and the US say that water supplies to their embassies have been cut off. In London, a Foreign Office spokesman said the four remaining British diplomats would hold out as long as they could. "But eventually, like all the others, they will come to the end of the road," he said.

A British diplomat from Baghdad, meanwhile, was expected to arrive in Kuwait last night to accompany about 100 British women and children on an Iraqi Airways evacuation flight to Europe via Baghdad today.

Reports from residents and diplomats still in Kuwait and from recent escapers and evacuees paint a picture of a country rapidly disintegrating into chaos.

Iraqi troops are said to have plundered most movable objects, including sophisticated hospital equipment, and taken their spoils to Baghdad. Shooting by Kuwaiti resistance fighters is heard day and night.

The Kuwait News Agency, mouthpiece of the exiled al-Sabah government, reported yesterday that Iraqi troops had stormed into a house and killed 15 unarmed civilians, but it was impossible to confirm the report.

A 63-year-old British worker, one of many westerners in hiding in Kuwait, appealed for help in a smuggled letter released in London yesterday by his daughter. "Help us get out. Don't let us rot," he wrote.

Paris squirms at fall-out from Iraqi links

George Graham on how France supplied so many sophisticated weapons to Baghdad

THERE has been something of the new convert's zeal in the firmness of French policy in the Gulf crisis. On all sides of the political spectrum, French leaders have too many embarrassing memories of their cosiness with Iraq to be keen to rake over the past or to wish to show any signs of appeasement.

Arms, nuclear technology and credits were lavished on the Ba'athist regime, accompanied by declarations of undying friendship that surprised other western diplomats by an effusiveness well beyond the normal requirements of diplomatic convention.

It is traditional to date the Franco-Iraqi link back to 1974, when Mr Jacques Chirac, then prime minister, struck up a relationship with Mr Saddam Hussein in an exchange of official visits.

In fact, the link goes back to the 1960s, when Presidents Charles de Gaulle and Georges Pompidou started to lay the foundations of a Middle Eastern policy, whose aims included softening the damage done to France's reputation in the Arab world by the Algerian war and ensuring access to oil.

By 1970, France was the third largest supplier of Iraq, and Iraq, in turn, was the principal oil source for France.

It was under Mr Chirac, however, that France agreed to supply Iraq with the Osirak experimental nuclear reactor, later to be bombed and put out of commission by Israel. The right wing governments of the 1970s also began a major programme of arms sales to Iraq.

The election of a socialist president in 1981 might have reversed this policy. Mr François Mitterrand is considered to have considerable sympathy for Israel, and a handful of socialists were worried by the closeness of French ties to a country with such a notorious human rights record as Iraq.

If such hesitations existed, they were overcome by Iraq's invasion of Iran. The French government threw its weight unhesitatingly behind Iraq in what it saw as a war to stem the tide of Iranian Shi'ite fundamentalism.

Among the arms supplied to Iraq during its war with Iran were some Dassault jet fighters, Gazelle assault helicopters, Milan anti-tank rockets, R-530 and Magic air-air missiles, and GIAT 155m canons.

Perhaps the most contested French decision was the loan of five Super-Etendard jets equipped with Exocet air-sea missiles. By supplying the Exocet missile, which caused such damage to the British fleet in the Falklands war, France allowed Iraq to begin the tanker war in the Gulf, to the fury of some of its western allies.

The 1988 ceasefire agreement between Iraq and Iran, however, *did not* put a stop to French arms sales. Mr Jean-Pierre Chevènement, the defence minister and a founder member of the Franco-Iraqi friendship society, travelled to Baghdad in January to discuss further military contracts.

"The staggering thing is that France continued to reinforce the military potential of Iraq after the war with Iran," said Mr Pierre Marion, who headed the French intelligence services in 1981-82.

Since the end of the Iraq-Iran war, Mr Roland Dumas, the foreign minister, has sought to achieve a more measured policy in the Middle East, with, in particular, a better balance between Iraq and Iran. Mr Dumas says, however, that it was Iraq's inability to repay its debts which put a stop to arms deliveries in May this year, not any political decision.

It is clear that the Gulf crisis will profoundly reshape France's Middle Eastern policy in the years to come; will it also modify the relaxed approach to arms sales which has made France the world's third largest supplier of military equipment, behind only the US and the USSR?

During an emergency debate on the Gulf crisis two weeks ago, both Mr Charles Millon, parliamentary leader of the centre-right UDF party, and Mr Pierre Mehaignerie, head of the CDS centrists, called for France in future to adopt a more rigorous approach to vetting its arms sales, and transfers of nuclear technology.

To put this pious sentiment into effect will require hard decisions for the largely state-owned French armaments industry, already facing a tougher future as France's own defence budget tightens.

French Trade with Middle East ($m, monthly av.)

Country	Imports 88	Imports 89	Exports 88	Exports 89
Iraq	65.5	71.0	37.1	39.9
Saudi Arabia	130.0	158.3	91.7	90.5
Kuwait	9.1	14.4	16.0	17.6
Bahrain	0.3	0.6	3.6	4.3
UAE	12.8	28.4	29.1	41.7
Qatar	1.7	1.4	5.6	6.3
Iran	10.6	86.8	16.4	29.5

Source: OECD

Powerful symbol takes shape in Saudi sands

By Lara Marlowe
in Hafer Al-Batin

THE Joint Arab-Moslem Task Force is more than a symbol, although its political expediency is undeniable. Its tens of thousands of troops in camps on either side of the main highway between Kuwait City and Riyadh have a precise goal: to hold the region north of Hafer Al-Batin while the US Air Force bombs advancing Iraqi troops and armour.

Both Saudi Arabia and the US needed the participation of Arab and Moslem ground forces in the military build-up on the Arabian peninsula.

By soliciting and, in Saudi Arabia's case, paying for the despatch of thousand of Syrian, Egyptian, Moroccan, Pakistani, Bangladeshi and Gulf country troops, the Americans and Saudis helped to consolidate world support and to some extent discredited the view that President Saddam Hussein was fighting the Americans on behalf of poor Moslems and Arabs.

Saudi army officers here expect there to be two fronts in any war with Iraq: the eastern coastal road, held mostly by the US with some assistance from Saudi air defences and allied warships in the Gulf; and the inland, Kuwait City to Riyadh road through the desert.

The Iraqis until now have concentrated their forces north of the zone held by the Americans and the officers say the Iraqis would be likely to choose this route for an invasion because it is faster and because it holds oilfields, factories, population centres and important military bases.

But a two-pronged Iraqi offensive cannot be discounted. Hilly terrain between the coast road and the Kuwait-Riyadh highway makes fighting between the two routes unlikely. Saudis say the Iraqis have mined the territory north of the Kuwaiti border to prevent Kuwaitis and Iraqi deserters from escaping.

The Saudis have not yet mined the approaches to the territory they are defending north of Hafer Al-Batin because they do not want to discourage escapees. They are leaving a 35km stretch of desert road below the border open, so the Americans could bomb advancing Iraqis there.

Because the Syrians, Egyptians and Saudis possess some of the same vehicles and armour as the Iraqis, these have been marked with special fluorescent symbols to show US pilots they are friendly forces.

Hafer Al-Batin is a strategic crossroad with highways branching north to King Khaled military city, north-west to Jordan, south to Riyadh and south-east to Dharhan. The Saudis say the Iraqis must also be kept from reaching the town to deprive them of food, water and logistical advantages.

To stop the Iraqis, the Saudis, Egyptians, Syrians, Moroccans and remnants of the Kuwaiti army have installed encampments for 60km on either side of the highway.

They are not visible from the road, but when you drive a few kilometres across the hard packed sand, gun turrets, tanks, trucks and armoured personnel carriers rise out of the desert as far as the eye can see.

Unlike US forces on the east coast, who have to contend with soft sand and appear to be ready to move at a moment's notice, the Arab forces have dug in, lending credence to their claim that they are defensive.

At the HQ of the Saudi Army's 20th Brigade armour is parked in deep pits shrouded with camouflage screens.

At the Fourth Armoured Brigade, Lt Col Mohammed Al-Garni complained that the engines of his French AMX30 tanks "have problems not sometimes but most of the time," because of the heat.

A Saudi officer pointed to some white patches bobbing in the false lake on the horizon. "The Kuwaitis are over there," he said. "White tents, like white flags of surrender."

Saudi officers said privately that the Kuwaiti army had given up too quickly.

Cairo raises its stake by sending in more troops

Tony Walker reports on the increase in commitment of Arab forces facing the Iraqis in Saudi Arabia

EGYPT'S announcement at the weekend that it was sending at least one mechanised division to stand alongside the US in Saudi Arabia represents a significant jump in Cairo's commitment to a possible war with Iraq. Details of the planned deployment of 12,000-14,000 Egyptian soldiers from the tank corps and armoured units emerged after a meeting in Alexandria on Saturday between President Hosni Mubarak and Mr James Baker, the visiting US Secretary of State.

"This is altogether a much more serious commitment," said a western military attaché in Cairo. He expected one division to be sent initially with another in reserve.

The mechanised division and armoured units, most likely equipped with American M-60 tanks and M-113 armoured personnel carriers, will join some 2,500 Egyptian special desert-trained commandos already on the ground in Saudi Arabia.

General Turki al Nafei, the Saudi commander of the Gezira forces that group Egypt with those of the Gulf states, Syria and Morocco, was quoted in the Egyptian daily, al Akhbar at the weekend as saying that his men were deployed on the Saudi, Kuwaiti, Iraqi borders. There were no foreign troops in the area.

Present strategy appears to be to use the Arab contingents as a "tripwire" in any confrontation with Iraqi forces dug in along Kuwait's border, and also positioned along Iraq's boundary with Saudi Arabia.

US marines and paratroop regiments are being kept further south, well away from the frontline at this stage as the massive American deployment continues. According to US officials there are some 100,000 US troops now on the ground in Saudi Arabia, but unofficial estimates put the figure much higher.

The Arab, US and other contingents are facing at least 160,000 Iraqis in Kuwait, many of them dug into a defensive perimeter along the Kuwaiti border with Saudi Arabia. The Iraqis are supported by anti-aircraft missile batteries, multiple rocket launchers and some 500 tanks, including Soviet-supplied T-72's.

Intelligence reports from Kuwait indicate that the Iraqis have wasted no time creating large earth fortifications that were very much their trademark during the protracted Gulf conflict. A senior Egyptian intelligence officer observed wryly that "they (the Iraqis) have an abnormal capacity to dig".

Within the Egyptian military there are differences between those who believed that time is of the essence in efforts to bring down President Saddam Hussein. Other officers are urging caution.

The senior intelligence officer is one of those who believes that nothing would be served by hurrying into conflict. "The build-up will take time. There is no infrastructure," he said. "But better to take the four months and do the job in one week, than start something in a week and take four months to finish it."

Other Arab states such as Syria and Morocco are also expected to increase their deployments in Saudi Arabia. In fact, there are reports that the Syrians have already resolved to increase significantly their presence beyond the estimated 3,200 special force paratroopers they already have on the ground.

Less clear are Morocco's plans, but it would be surprising if it did not fall into line with Egypt and Syria and make a bigger commitment to what is being described as the "Pan-Islamic force" that also includes Pakistani and Bangladeshi units.

One of the problems foreseen by western military attachés is that of co-ordination between the various Arab and other contingents and the dominant US force. This issue, described as a "grey area" by one military expert in Cairo, seems a long way from being resolved.

A central question that has yet to be dealt with satisfactorily is what consultative process would be required between the US and its allies before troops were committed to battle. Publicly, Saudi Arabia is still trying to preserve the fiction that the concentration of forces on its territory is defensive. But it has long been apparent that the US was building an offensive capability.

Egypt's decision to send a mechanised division adds further teeth to the forces arrayed against Iraq. It may prove to be the beginning of a much bigger Egyptian and indeed pan-Islamic presence in Saudi Arabia that in the end matches the numbers of US troops on the ground.

NEWS IN BRIEF

Arab envoy resigns over foreign forces

THE Arab League envoy to the US and the United Nations, Mr Clovis Maksoud, resigned yesterday in protest against what he termed "the rush towards the internationalisation" of the Gulf crisis through the introduction of foreign forces, Michael Littlejohns reports from the United Nations.

Both the Iraqi invasion of Kuwait and the subsequent reaction were wrong, he said in his letter of resignation. At a news conference in the UN, he acknowledged that the Arab states' response to the invasion had seemed pathetic, but said they had not been allowed time to develop their own options before other solutions were proposed.

Iraq delays World Bank payment

Iraq has delayed a scheduled repayment to the World Bank and has advised the Bank that it will not be in a position to make the payment until the crisis in the Gulf is resolved, Stephen Fidler, Euromarkets Correspondent, writes.

World Bank officials said the payment of $2.8m was more than 60 days overdue in mid-August. When loans are more than 180 days in arrears, they are placed on non-accrual status, blocking access of the country to new finance. This will happen on December 15. However, this would be of mainly symbolic significance to Iraq, which owes the Bank only $47m and has not made new borrowings since the 1970s.

Iraqi protesters burn allies' effigies

Thousands of Iraqis burned, trampled and spat at effigies of US President George Bush and his Arab allies in the Gulf crisis yesterday, witnesses said, Reuter reports from Baghdad. Screaming "Death to Bush" and "Death to America", the protesters set fire to the Stars and Stripes outside the American embassy. "We are ready to die to let Iraq live" and "No surrender even if we starve to death," they chanted.

The crowd, mostly trade union members, heaped abuse on Mr Bush, King Fahd of Saudi Arabia and President Hosni Mubarak of Egypt before setting fire to their effigies.

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CRISIS IN THE GULF

UN split narrows on humanitarian aid to Iraqis

By **Michael Littlejohns** in New York

SHARP divisions within the UN Security Council's sanctions committee on the question of permitting food and some other supplies to enter Iraq on humanitarian grounds appeared to be narrowing yesterday as members resumed closed door negotiations.

Diplomats said they hoped a draft resolution would soon be agreed for submission and adoption by the council.

Some members were dismayed by the possible public perception of infants dying in Iraq and Kuwait for want of milk while diplomats argued in New York, but others said there was still no evidence of shortages.

The US and Britain were said to be stressing that it was more important to establish unambiguous criteria than to act fast and risk creating loopholes that could weaken the general embargo.

Mr Javier Pérez de Cuéllar, the Secretary General, has been asked to determine what the food situation is in Iraq and Kuwait, but it was not clear yesterday how he might do this or whether the Iraqi authorities would co-operate.

Yemen, the council's only Arab member, along with Cuba and Colombia were reported to be more interested in getting food into Iraq than how it should be distributed - whether through humanitarian agencies or commercial and government channels.

Moscow agreed with the US on the need to use humanitarian agencies, but the Soviet delegation was said to have been less active in committee discussions than the West.

Another question to be resolved is that of aid for countries worst affected by the embargo. Jordan alone has assessed its losses at $2bn, while Yemen has asked for assistance as have several others.

Diplomats said a resolution on this question was likely to be more symbolic than substantive as assistance for the affected countries would probably be mainly on a bilateral basis.

● **Reuter adds from Geneva**: UN officials yesterday praised the "swift and generous response" from the world community on Gulf refugees and said the UN could now cope with a fresh flood of people.

Co-ordinated international efforts to help Jordan deal with the flow of refugees triggered was beginning to pay dividends, they said. For the first time since the invasion of Kuwait the number of refugees repatriated outnumbered new arrivals.

The UN complained last week of a poor international response to its Jordan emergency relief efforts, the largest since the Ethiopian famine six years ago killed at least 1m people.

India is to ask the UN Security Council to permit Indian embassies, consulates and companies in Iraq and Kuwait to distribute food to its nationals stranded there so to make sure supplies are not diverted from people for which they are intended, K.K. Sharma writes from New Delhi.

The External Affairs Ministry said yesterday India wanted assurances that it should be allowed to do this without waiting for international organisations like the Red Cross to take the lead in the matter.

It is considered urgent in New Delhi because of a number of reports that food shortages of staple items like flour and rice threaten Indians stranded in the region with starvation.

Jordanian soldier shepherds a queue of Asian refugees yesterday at a camp in the no man's land between Iraq and Jordan

Saudi banks 'have ridden out crisis'

By **George Graham** in Paris

SAUDI Arabia's banking system appears to have ridden out the worst of the problems in the wake of the invasion of Kuwait, and confidence has begun to return, according to one of the most heavily involved European banks.

Mr Antoine Jeancourt-Galignani, chairman of Banque Indosuez, the French bank which owns the fourth largest bank in Saudi Arabia, Bank al Saudi al Fransi, says the rush of Saudi savers to withdraw their deposits and transfer their capital to Europe has begun to be reversed in the last few days.

Saudi banks had faced the loss of 12 to 15 per cent of their deposits in the first weeks of August amid anxiety over the effects of the Iraqi invasion.

"There was a flight to cash. Small clients withdrew their money, in riyals or in dollars, to hide in their mattresses or bury in their gardens. But an estimated $6bn [£3.2bn] went abroad – if you add Bahrain and the United Arab Emirates, maybe $8bn," Mr Jeancourt-Galignani said.

But alongside the shock to confidence, there has also been a tremendous boost to activity, both from the stepping up of oil production by Aramco, the Saudi oil company, and from the demands of the military forces now on Saudi territory.

After a five-day visit to his bank's branches in the Gulf region, Mr Jeancourt-Galignani saluted the sang-froid of the central banks of Saudi Arabia, Bahrain and the United Arab Emirates, which had avoided panicking in the face of the capital flight. He said the monetary authorities were supporting the region's banks, and he ruled out the possibility of bank failures in the coming months.

The Saudi Arabian Monetary Authority had refused to impose exchange controls, but encouraged banks to avoid accelerating the flight, for instance by allowing term depositors to withdraw their money early. At the same time, the banking system received a considerable quantity of "political deposits" from royal families or institutions, which helped to restore confidence.

Indosuez itself supplied considerable sums of dollars to Al Saudi al Fransi in order to help it meet customer withdrawals.

The future effects on Bahrain, which had developed a role as an offshore financial centre, are less certain, Mr Jeancourt-Galignani said. Some of the big regional banks based in Bahrain, such as Arab Banking Corporation, have already decided to transfer some of their activities to centres such as London, and services to Kuwait will clearly depend on how the crisis unravel.

Private banking, however, should remain in Bahrain, Mr Jeancourt-Galignani said, and the Saudi riyal market, which vanished in the wake of the invasion of Kuwait, could well return.

Indosuez expects this year's profits from its Gulf activities to be some FFr40m (£4.1m) to FFr50m lower as a result of the crisis, though some of this will be compensated for, for example, by the extra deposits it will garner from Arab customers in centres such as Switzerland and Monaco.

Arab League stumbles on journey to Cairo

RESISTANCE by Tunisia and Morocco forced a committee of the Arab League, commissioned to move the Arab League headquarters back to Cairo from Tunis, to call off its first meeting yesterday, diplomats said, Reuter reports from Cairo.

A dozen so-called moderate Arab states of the deeply divided 21-member Arab League approved the transfer at a gathering of foreign ministers in Cairo on Monday night. They formed a five-member committee, replacing one headed by Iraq, to implement the move by October 31.

An Arab League official said the delay was decided "to ensure the participation of all the members of the committee".

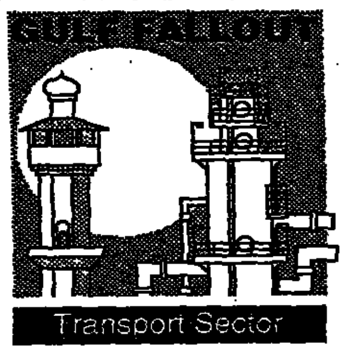
Arab diplomats said Tunisia still had to be persuaded to join the group. Tunisia, seen as one of Iraq's supporters in the Gulf crisis, has boycotted an Arab summit and two foreign ministers meeting in Cairo in the past four weeks. Morocco's envoy also asked for time to consult his government before joining the committee, despite its having sent forces to Saudi Arabia.

At the same time Mr Yassir Arafat, the leader of the Palestine Liberation Organisation, arrived in Rabat and launched an apparent drive to reverse Monday's decision.

Mr Arafat, accompanied by his political adviser Mr Bassam Abu Sharif and PLO central committee member Mr Abu Mazen, made no statement on his arrival but Arab diplomats said he was likely to ask Morocco to reverse its stance on the issue.

Airlines haunted by first oil shock

Paul Abrahams on fears of being squeezed between rising costs and falling demand



THE CIVIL aviation industry is haunted by the oil shock of 1973 which resulted in scores of redundant aircraft being stored in the Arizonan desert.

The risk is that a prolonged increase in the price of oil will raise airline costs and suppress demand at the same time. Airline executives are now bracing themselves for a potential shakeout.

The main threat for the carriers is that any slow-down in economic growth caused by increased oil prices will result in falling passenger demand.

Such a fall could cause serious problems for weaker airlines already in a poor financial state. Passenger demand appears not to have fallen yet, but some weaker airlines have only managed to maintain load factors by increasing low-margin promotional fares.

On the costs side the position is already dramatic. Fuel represents one of the airlines' largest costs and in Europe, spot prices for aviation fuel have increased by 70 per cent from 57.54 US cents per US gallon before the invasion of Kuwait to 98.18 cents this week.

Mr Richard Whitaker, editor of Airline Business, estimates that additional fuel costs could increase international airlines' annual expenses by $5bn (£2.7bn) a year.

World spot aviation fuel prices (US cents per US gallon)

	July 27 1990	Sept 7 1990
Europe	57.54	98.18
Arabian Gulf	54.51	97.00
Singapore	55.76	102.03
US Gulf	56.00	90.38

Source: Reuters

Not all airlines will be affected equally. For short-haul operators, fuel can represent as little as 10 per cent of costs, while, for long-haul operators, it can be reach 20 per cent.

Most airlines negotiate their fuel on fixed price contracts which can last between one and six months. Some have managed to protect themselves for a limited period of time through the use of forward markets. A number of carriers, such as British Airways and KLM Royal Dutch Airlines, are understood to have been better protected than the North American airlines.

For those without protection and with short-term contracts, the additional burden of higher fuel costs will now be beginning to hit home.

In the longer term, the extent of the damage will depend upon the airframe/engine combinations in the various airlines' fleets. Modern engines are far more fuel efficient than older machines.

An additional cost is that many airlines that previously overflew the Gulf are now being forced to fly around the area increasing fuel consumption. They are also having to pay increased insurance premiums.

The only glimmer on the horizon is that many non-American carriers have been enjoying the benefits of the fall in the dollar. Most airlines sell tickets in domestic currencies, but buy their fuel in dollars.

The increase in fuel prices comes at a bad time for many airlines which have already been suffering from rapidly rising cost structures. High interest rates have affected the cost of aircraft ownership at the same time that airport landing charges and air traffic control fees have been increasing.

The ability of carriers to compensate for increased costs by raising fares may be limited. If passenger demand falls as a result of slowing GDPs, then many will find it difficult to make price increases stick. Instead, they may be forced to sell a growing proportion of their seats using promotional fares.

Not a few airlines have learnt the lessons of earlier oil shocks and reduced their vulnerability by leasing a proportion of their aircraft on short leases. If there is a fall in demand they should be able to reduce their capacity quickly. Last year, about 17 per cent of the world's aircraft fleet was leased.

If there is a downturn, the leasing companies – particularly those with older and less efficient aircraft – could find themselves in severe difficulties. Not least, the residual values of older fleets could become worthless.

The effect of a downturn on the airframe and engine manufacturers is less clear. According to Mr Whitaker, most of the 3,500 new, fuel-efficient, jet aircraft on order will probably be delivered. Whether the increased production volumes planned by Boeing, Airbus and McDonnell Douglas will be necessary remains uncertain.

Final accord at '2 plus 4' talks expected today

By Robert Mauthner in London and Quentin Peel in Moscow

THE FOUR Second World War allies – the US, the Soviet Union, Britain and France – and the two Germanys are expected to reach final agreement on the external aspects of German unification when they meet in Moscow today for what is hoped will be the final session of the "2 plus 4" talks.

One of the last important hurdles to an agreement was cleared yesterday when the West Germans undertook to pay the Soviet Union DM12bn (£4.08bn) towards the cost of the withdrawal and resettlement of Soviet troops from East Germany, due to be completed in 1994.

Moscow, however, is still demanding a number of guarantees on the military status of a united Germany, following its acceptance that the future German state would remain a member of Nato.

The West Germans have already undertaken that no allied troops should be stationed on what is now East German territory as long as Soviet troops remain there, though this will not apply to German territorial army units. Together with its allies, Bonn is also prepared to accept the Soviet demand that no nuclear weapons should be stationed in this part of the country after unification, in peacetime at least.

However, the western allies continue to reject the Soviet demand that all so-called "dual capable" weapons, including aircraft – those which can fire conventional as well as nuclear shells and missiles – should also be barred from East German territory. Nor have they agreed so far to the Soviet desire to see a ban on all Nato training exercises in the eastern part of Germany.

Another contentious issue which is still open is the German demand that residual rights of the four wartime allies should be terminated on October 3, the day that German unity is due to be proclaimed.

That is something which Moscow has so far refused to concede, arguing that four-power rights should be maintained until the treaty on German unification has been ratified by the German and the four other parliaments concerned. It is nevertheless possible that a legal compromise, proposed by Britain, under which the quadripartite rights would be suspended for a transitional period after October 3, will finally be accepted.

The foreign ministers of the six countries will have to run the gauntlet of demonstrators from the three Soviet Baltic republics when they meet today.

The demonstrators are determined to remind them that the deal with the two Germanys does not resolve another key sovereignty question left over from the Second World War – the status of Estonia, Latvia and Lithuania. All three once independent states were occupied by the Soviet Union under a secret protocol in the Molotov-Ribbentrop pact.

The three republics have called on the wartime allies to guarantee their right to the restoration of independence. In a statement issued by the reformed Council of the Baltic States, the republican leaders insist that "the full restoration of the independent statehood of Estonia, Latvia and Lithuania must be the object of international negotiations on the liquidation of the consequences of World War Two."

Brittan queries French aid for Saab truck plant

By Lucy Kellaway in Strasbourg

A FRENCH government plan to pay FFr300m (£29.4m) in state aid to Saab Scania, the Swedish truck-makers, to help fund a plant in France's Maine and Loire department is worrying Sir Leon Brittan, the EC Competition Commissioner.

Last night he asked his fellow commissioners' permission to start a formal inquiry into the aid, to decide whether the investment can go ahead.

Brussels is particularly anxious to ensure that EC states do not use generous subsidies to attract foreign producers to build factories, thereby distorting competition. The French aid has attracted suspicion as the amount is large in relation to the FF1.7bn cost of the whole project.

Under the Commission's rules on aid to the motor industry, all new subsidies have to be approved by Brussels. In making its decision, the Commission takes into account the regional effect of the aid on employment against distortion of the market.

Some in the industry feel that now is not the time to be adding truck-making capacity in Europe and that after several profitable years the industry is in for more difficult times.

Earlier this year the Commission protested at Austrian plans to grant a large subsidy to Chrysler, the US motor giant, to build a truck plant.

Tax cuts proposed in last Finnish budget before polls

FINLAND'S coalition Government yesterday unveiled its last budget before elections next March, including tax cuts and a 63 per cent rise in spending on the environment, Reuter reports from Helsinki.

The top state income tax rate would be cut 4 percentage points to 39 per cent, according to the proposal presented to parliament. Company state tax would fall 2 points to 23 per cent. Spending is expected to rise by 4 per cent in real terms to FM157.66bn (£22.8bn), leaving a state surplus of FM8.6bn.

The Finance Ministry said economic growth would slow to 0.5 per cent from 2.5 per cent this year, due to sluggish consumption and declining investment.

Soviet economy awaits the knife as surgeons squabble

By Quentin Peel in Moscow

"NO GOVERNMENT in the world has voluntarily given away power and land," said Professor Stanislav Shatalin, author of the most radical reform plan yet presented for the Soviet economy. "This is the reason for the [Sovie] Government's reluctance to agree with our programme."

Mr Nikolai Ryzhkov, the Soviet Prime Minister, put it differently. He warned that the Shatalin plans for dramatic cuts in the Government's budget deficit by next March, and far-reaching liberalisation of prices, would cause a popular backlash impossible to contain.

Instead, the Ryzhkov plan calls for controlled, but sharp, price rises for basic foodstuffs and essential goods, compensated by direct payments from the state to workers: what he calls a "radical-moderate" transition to a market.

The core of the criticism from Prof Shatalin and his colleagues, including Professor Nikolai Petrakov, personal adviser to President Mikhail Gorbachev, is that the government plan raises prices without liberalising the rigid central planning system first. It is essentially a bureaucratic planner's attempt to manage the transition to a market economy.

Instead, the Shatalin plan puts far greater emphasis on a sweeping privatisation of state property from the very start, intended both to break the power of the state apparatus, and incidentally to soak up the huge excess of money in the system which could fuel rampant inflation.

THE SOVIET UNION is expected to send a delegation for the first time to the annual meeting in Washington later this month of the International Monetary Fund and World Bank, writes Stephen Fidler, Euromarkets Correspondent.

The invitations, reflecting movement towards expected Soviet membership of the institutions, were sent last week to Mr Nikolai Ryzhkov, the Soviet Prime Minister, and Mr Viktor Geraschenko, head of the central bank.

In the Supreme Soviet yesterday, Mr Ryzhkov declared there were three issues on which he fundamentally disagreed with the Shatalin document, now openly favoured by Mr Gorbachev, and adopted by the Russian parliament as its strategy.

He disagreed on price reform, the relations between the union and the republics in controlling the economy, and in the speed of reducing the budget deficit.

On prices, the Shatalin plan would freeze prices for 100-150 essential goods, and liberalise all the others rest from January 1. Mr Ryzhkov said that would "trigger a staggering surge" in prices, destabilise economic life, and disorientate enterprises, leading to a 30 per cent fall in living standards.

On the other hand, the government plan would increase those very prices the Shatalin document would freeze: in the original version, bread would triple in price, and many foodstuffs double, and workers would receive "total compensation" in their pay packets.

The critics say the compensation would negate the whole purpose of the price rise, massively increase the Government's budget deficit, and pump more money into an economy awash with unwanted roubles.

On the budget deficit, drastic cuts in state capital investment, defence spending, and subsidies, would reduce the deficit, running at almost 25 per cent of the budget, in the course of 1991, in the Shatalin plan.

Mr Ryzhkov says it is far too drastic, "infringing upon the vital interests of the large masses of the working people." The government plan would cut the deficit, which could increase from the planned Rbs60bn to Rbs90bn this year, by Rbs25-Rbs30bn in 1991.

On the question of relations between the republics and the centre, Mr Ryzhkov insisted that an all-union market must be preserved at all costs, putting significantly greater stress on the maintenance of central authority.

The Shatalin plan, incorporating much of what Mr Boris Yeltsin's advisers propose for the Russian federation, would only leave to the centre the residual responsibilities not taken on by the republics.

Hungarian opposition MPs stage walk-out

OPPOSITION deputies in Hungary walked out of parliament yesterday and demanded the resignation of Mr Geza Jeszenszky, the Foreign Minister, claiming he had insulted them, Reuter reports from Budapest.

Parliament was suspended for almost an hour in the first incident of its kind since the elections last May which brought multi-party democracy to Hungary after 40 years of Communist rule.

The dispute arose when Mr Jeszenszky was questioned about an open letter he wrote last month to the Magyar Nemzet, the liberal newspaper. It said that only parties in the centre-right coalition government fully upheld the values of liberal democracy, social responsibility and Christianity.

When he repeated this in parliament members of the three opposition parties – the liberal Free Democrats, Fidesz, the radical youth party and the Socialist Party – walked out in protest.

At a news conference opposition leaders accused Mr Jeszenszky of discriminating between Hungarians and demanded his resignation.

Mr Gyorgy Szabad, the Parliamentary Speaker, appealed to legislators not to "allow political debate to degenerate to such an extent that parliament is paralysed during a crucial period."

Opposition parties have promised more vigorous attacks on the coalition led by Mr Jozsef Antall, the Prime Minister, following the end of a 100-day grace period since its appointment in June.

Although Mr Antall's Hungarian Democratic Forum won a near landslide victory in the elections, criticism has mounted against him.

E Germany tries to undo its property knot

Time is running out for claims, write David Goodhart in Bonn and Leslie Colitt in Berlin

THE COMPLEX task of returning property expropriated by the former East German regime to its rightful owners is a lawyer's dream, according to Mr Robert Daly, a lawyer in the Frankfurt office of the US firm Morgan, Lewis and Bockius.

Mr Daly is currently trying to alert the estimated 1,900 US citizens who have property claims in East Germany that time is running out. Claims on the 10,000 small businesses, mostly seized in the early 1970s, must be lodged before September 16; all other property claims must be made before October 13.

Despite initial promises, the vast majority of the 250,000-plus legitimate claimants, who are West or East German citizens, will not actually get their land or property back. But they will be compensated.

Chancellor Helmut Kohl declared in June that former owners, or their descendants, should in principle receive back property belonging to them. Only in exceptional cases should compensation be merely financial.

But East German leaders were less keen and their reservations have been vindicated in the past three months. The principle of return was identified as one cause of the lack of new investment in East Germany and, as a result, it is gradually being whittled away.

Even in the original Kohl declaration, also backed by Prime Minister Lothar de Maizière, there were restrictions on the principle of return to prevent too much disruption to ordinary East German citizens. It did not apply where property was being used by the community, in housing developments or as part of an industrial plant.

The declaration also ruled out a return of the land that was nationalised or redistributed between 1945 and 1949 during the period of direct Soviet control. (Many of those dispossessed in those years have been arguing furiously in the past few weeks that backdating the principle of return only to 1949, the year the East German state was founded, is arbitrary and unfair).

Despite these restrictions an enormous slice of East German property, possibly as much as a fifth, according to one West German official, has been potentially subject to the principle of return.

That has cast a shadow over all property transactions, making it, for a time, illegal for the East German state, local authorities and East German companies to sell property to western investors, pending clarification of earlier ownership rights.

The miserable state of East Germany's land registries made swift clarification impossible. More than 1,000 western investors applied to the registries to discover whether there were competing claims on property they wanted to buy, and most gave up in despair. The Bonn Justice Ministry says it receives 300-400 calls a day from claimants complaining they cannot get the information they need from East Germany.

Mr Horst Gobler, newly in charge of the registries, says the Communists wreaked havoc with the records in the course of nationalising desirable property. The 1,700 employees of the land registries often need the instincts of detectives to track down the title-deeds, which are strewn all over East Germany.

That detective work has become a little less urgent as the principle of return has been further demoted in article 41 of the unity treaty signed between the two Germanys earlier this month. That article states that any East German property wanted urgently for business purposes can be sold, regardless of claims by former owners.

Once the latter have established their claim, which may take months or even years, they may have to make do with rather stingy compensation from the future united German state. The current plan is to pay people what the property was worth when it was expropriated, plus 1 per cent a year interest payment on that sum.

Some of the property owners are, naturally, not overjoyed that the principle of return has been abandoned and they may go to court. But the Bonn Justice Ministry is confident the new agreement is not anti-constitutional.

And the lawyers will still have plenty of work. Disputes about the value of small businesses which are being reclaimed, especially over how much value was added by their absorption into state conglomerates, could drag on for ever, according to one lawyer.

It will also be complicated to establish liability for environmental damage and to untangle property sales which were done soon after last year's revolution by people, often senior Communist officials, who had no right to be selling.

COLOGNE CATHEDRAL (above) will be among churches across Germany ringing their bells in celebration of unification on October 3, thanks to a relaxation of church rules yesterday, Reuter reports from Bonn.

Despite popular demand to ring the changes, both Roman Catholic and Protestant churches had insisted that their rules allowed bells to peal only for religious occasions. Chancellor Helmut Kohl was quoted as saying: "The argument against ringing the bells is the height of absurdity and foolishness."

Now the churches have relented. A spokesman for the Evangelical Church, an umbrella organisation for West Germany's Protestant churches, said it would be left up to individual churches whether to hold services on October 3. "Naturally, the faithful will then be invited by the sound of bells ringing," he said. Catholic bishops have also given their churches the option of holding Masses on the night of October 2.

A survey shows 87 per cent of West Germans and 90 per cent of East Germans want to hear ringing in their ears on October 3.

East German-born Cardinal Meisner of Cologne wants his cathedral's new bell, only just installed, to ring out for the first time on Unification Day. "It is my heart's wish that it rings on October 3," he told Bild newspaper.

Bonn scraps flight policy

By David Buchan in Brussels

THE GERMAN Government has freed civil servants from a "fly Lufthansa" requirement, which the European Commission claimed was illegal in that it prevented the free provision of services within the Community.

In 1980 Bonn insisted that civil servants and those working in state-owned or funded organisations should fly Lufthansa. For years Brussels has objected to the policy and Bonn finally scrapped the requirement on June 1. Yesterday the Commission decided to publicise the change in order to deter other EC governments from adopting the same policy.

MEPs' vote could thwart Commission plan to integrate E Germany in EC

By Lucy Kellaway in Brussels

THE European Commission's plans to integrate East Germany into the EC starting from October 3 could be overturned following a vote yesterday by the European Parliament.

At issue is the usual domestic power struggle between the three European institutions – the Council of Ministers, the Commission, and the Parliament. MEPs feel that too much direct power has been given to member states, and not enough to the Commission and Parliament.

In its first reading on the Commission's marathon paper, produced last month, the parliament voted to change the type of committee that will oversee the arrangement which covers the interim period between October and December, when all-German elections take place. Yesterday, the parliament favoured an amendment that would give the Commission rather than member states the final say over running the transition period.

The parliament's position will be put to a special Council meeting today so that the matter can return to the assembly for another emergency reading tomorrow. The Council is angered at what it sees as petty manoeuvring by MEPs and disapproves of the effort to water down its powers. If it rejects the amendment, and if Parliament maintains its position tomorrow, the proposals on East German integration would lapse. This would mean that from October 3, all EC law would immediately apply in East Germany, without the careful exceptions that have been worked out.

However, because of the amount of work that has been put into the measures to get them through the complicated EC machinery in record time, it is not likely that they will be allowed to fail.

Romania makes life hard for foreign investors

By Judy Dempsey

FOREIGN COMPANIES wanting to invest in Romania face bureaucratic interference, unfair competition and enterprises which are not ready to deal with western partners.

These rather grim findings emerged during a recent meeting of the Romanian cabinet which, among other items, discussed ways to expand western co-operation in industry, tourism and agriculture with western enterprises.

Mr Eugen Dijmarescu, Minister of State for the economy, indicated that although interest by western investors was high, current conditions were simply not attractive.

He proposed setting up commissioners to supervise the progress of potential investment projects, which, according to Mr Dijmarescu, already totalled $3.4bn (£1.83bn).

But western companies wishing to do business in Romania are still waiting for the Government to present an economic reform package which will make some reference to privatisation.

Since May, economists have dithered over how high corporate taxes should be in the first phase of the transition to a market economy (under which small shops, services and hotels would be privatised).

Big is beautiful to the Community's Belgian members

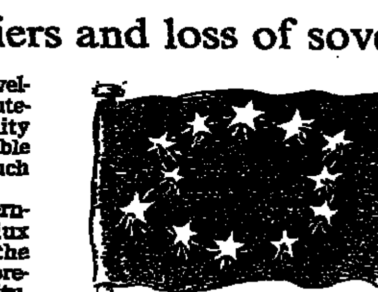
Removal of frontiers and loss of sovereignty do not bother Belgium, writes Tim Dickson in Brussels

BELGIUM'S ROLE in the development of a united and integrated European Community has a history which bears honourable comparison with several of its much larger EC partners.

As early as 1944 its wartime Government-in-exile signed the Benelux Treaty with Luxembourg and the Netherlands – in many ways a forerunner of the European Community. Mr Paul-Henri Spaak, a revered Belgian Prime Minister, chaired the committee in 1956 which drafted the Treaty of Rome. Mr Leo Tindemans, another Prime Minister, penned an influential report in the mid-1970s calling for a common foreign policy and more powers for the European Parliament and the European Commission.

Plus ça change.... one might well say today. As the 12 members of the EC ponder the likely outcome of the two intergovernmental conferences (IGCs) on monetary and political union at the end of the year, the only written contribution to the debate is a thoughtful memorandum published in March by Mr Mark Eyskens, the Belgian Foreign Minister.

A "Eurobarometer" public opinion survey published this summer showed that most Belgians believed the country had benefited from Community membership. But Belgians – perhaps surprisingly – still lag behind the Irish, Dutch and Greeks in their overall enthusiasm for the European club, although they are as confident as any when it comes to hopes for "1992."



SOVEREIGNTY

Belgian attitudes to Europe have been shaped by a mixture of political and economic considerations. Going it alone has certainly never been an option for a small nation heavily dependent on external trade, so a Community without barriers is a natural ambition for its 10m inhabitants.

The EC, moreover, has served Belgium well. It has brought considerable prestige in the form of the main political institutions based in Brussels (though at times one suspects irritation at the influx of foreigners). It has also served as a successful counterweight to neighbouring Germany.

Helpless in the face of invasions in both world wars, Belgium has as much reason as any European state to fear the political consequences of German unification and to wish to see the enlarged state firmly tied into a more integrated Europe. Faith in the EC, incidentally, also reflects mistrust of France after what the older generation sees as its failure to come to Belgium's aid in 1940.

Belgians have little trouble coming to terms with the idea of sovereignty sharing. Unlike long-established states such as Britain and France Belgium is a relatively recent (1830) and arguably artificial creation of French and Flemish communities.

Both Flemish-speaking Flanders and French-speaking Wallonia have made much of their supposed destinies as regions in a wider Europe. But while that sort of thing goes down well on the hustings, the fact remains that national governments still wield the Community's power.

On the immediate questions of economic and monetary union (EMU) and political union, Belgium should have little difficulty with whatever emerges from the IGCs. Firm disciples of the ultimate EMU goal of a single currency, local politicians nevertheless have little to say about stage two of the EMU process when awkward rules on the size of public sector deficits, for example, are likely to be introduced.

Belgium's economic recovery in the past decade has been impressive. But though its budget deficit has been reduced in recent years from more than 13 per cent of gross national product to 6-7 per cent today, that is still roughly twice the European average. The huge burden of public sector debt accumulated in the 1970s represents a staggering 120-130 per cent of GNP.

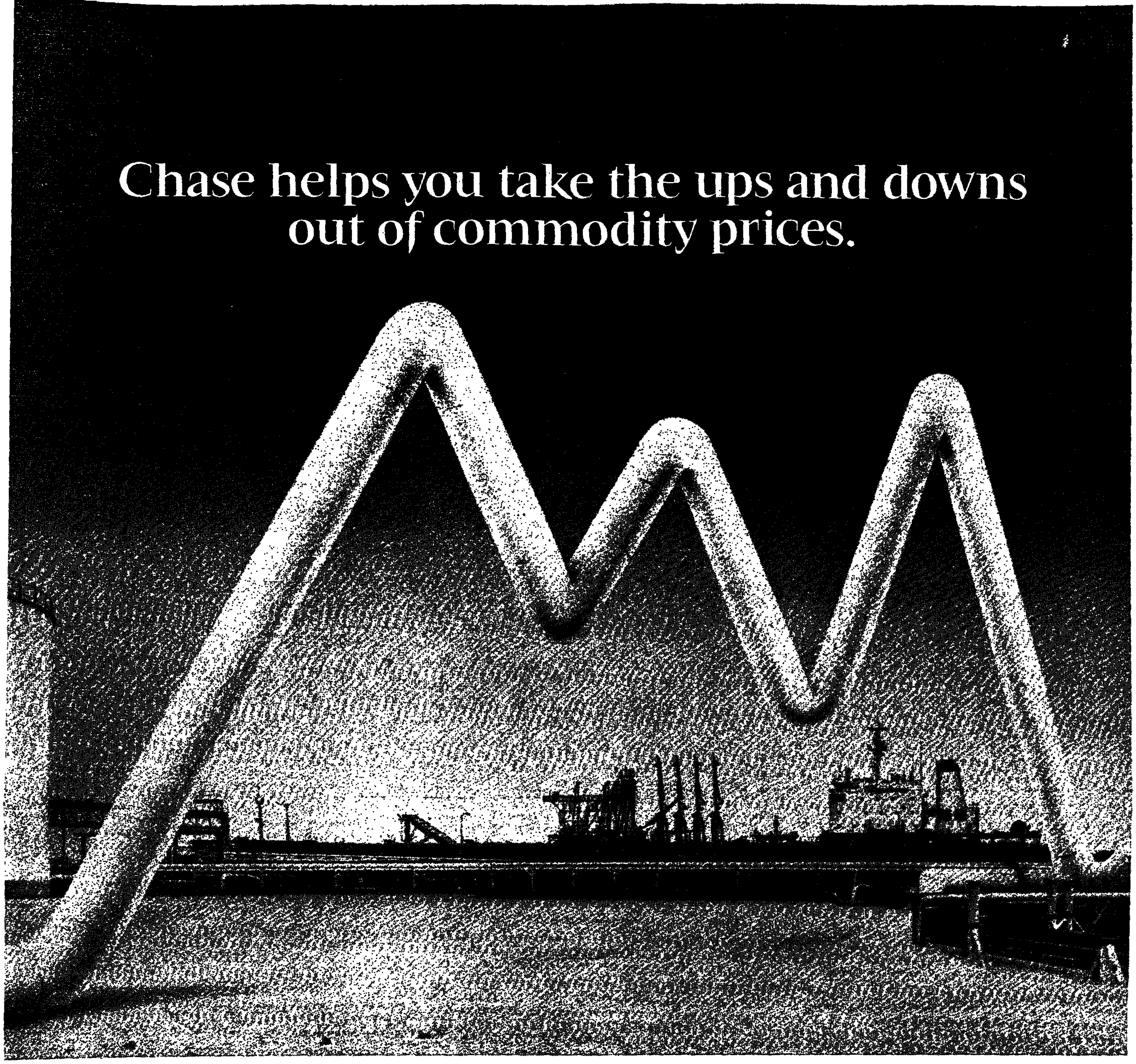
Sharp structural adjustments are not the country's style – its political system rests on a delicately balanced social consensus – so there are potential dangers ahead which are currently being glossed over or ignored. Alternatively, the EC could become a convenient scapegoat for a stronger dose of budgetary medicine.

As for "political union", there is every chance that many of the ideas in Mr Eyskens' memorandum will at least form the basis of what people are now calling "a Single European Act Mark Two" (a reference to the 1987 reforms of the Treaty of Rome).

His proposals include majority voting on all issues except new Community competences, treaty revisions and new member states; increased powers for the Commission, whose president would be elected by the European Parliament (from a list of candidates provided by EC heads of government); a strengthened European Court of Justice; new powers for the European Parliament, including an effective veto over EC legislation and limited right of initiation; and the inclusion of security as a new Community competence.

There is one irony, though, in its espousal of proper sanctions for the European Court. The biggest blot on Belgium's credentials as "a good European" is its failure to translate EC directives (notably on the environment) into its own national law – a dereliction of duty due mainly to central Government's weak authority over the regions, and which carries no financial or other penalty for the present.

This is the ninth article in a series on EC countries and Community institutions. Previous articles appeared on August 6, 9, 14, 20, 22, 28, 29, and September 5.



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CHASE

Eleven developing countries receive oil price rise boost

By Stephen Fidler, Euromarkets Correspondent

ONLY 11 non-Gulf developing countries stand to benefit from the higher energy prices brought about by Iraq's invasion of Kuwait, World Bank officials said yesterday.

The officials, citing a preliminary study made by the Bank, said that most developing countries will suffer. While the impact of the oil price rise is likely to be more modest than in 1973 and 1979, developing countries now account for a higher proportion of world oil consumption – 28 per cent compared with 18 per cent in 1973.

Not only will oil importing countries face a higher import bill, their export earnings could also be lower as a result of the economic slowdown in industrialised countries.

The higher nominal interest rates in industrialised countries – a likely consequence of higher oil prices will also hurt highly indebted economies – while other economies, such as Egypt, India, Sri Lanka, Turkey and Jordan, will suffer from a fall in workers' remittances.

According to the study, the 11 countries to benefit from a sustained rise in oil prices would be Venezuela, Mexico, Ecuador, Trinidad and Tobago, Algeria, Nigeria, Cameroon, Congo, Gabon, Indonesia and Malaysia.

Investments made by some countries, including Mexico, Egypt, Yemen and Colombia and China, will yield substantial earnings, it says.

The Bank suggests there will be environmental effects of higher oil prices on east Europe, which also faces the problem of having to pay the Soviet Union for oil in hard currency for the first time. Paying more for oil will mean that these countries will forced to continue to burn high-sulphur brown coal and keep nuclear installations in operation that might otherwise have closed.

The impact of higher oil prices are expected to be an important issue in the annual meetings of the the International Monetary Fund and Bank later this month. The joint IMF/World Bank Development Committee, which meets on September 24, will discuss the questions of transfers of resources from the developing world.

There is a concern that transfers continue at high levels, while overseas development assistance is shrinking as a share of gross domestic product. The committee will call for government creditors of Third World countries to provide debt relief to middle-income countries.

Other issues on the agenda include the environment – on which subject the Bank is presenting a special annual report for the first time this year.

Mr Michel Camdessus, managing director of the IMF, called in Paris yesterday for more debt relief, and praised the governments of France and the Netherlands. He also called on donors to "make more ambitious efforts to increase their provision of development aid more rapidly".

● The World Bank is considering its first loan to Iran since the 1970s, officials said yesterday. The loan would be to aid reconstruction following the earthquake earlier this year.

Nigeria's windfall hardens hearts of creditors

William Keeling reports on the possibility of Lagos ending the deadlock over debt

NIGERIA'S windfall from rising oil prices, and the appointment of a new Finance Minister, are spurring hopes that the current deadlock over terms for rescheduling the country's $5.5bn (£3bn) foreign bank debt might be eased, if not entirely broken.

Alhaji: faces some questions

Nigeria's negotiators and the banks have been at loggerheads since May, when Nigeria said it could no longer pay on existing terms.

The last round of talks, in August, ended in extraordinary fashion. They were brought to an abrupt conclusion when Mr Olu Falae, the then Finance Minister, was informed by his government that he had been replaced, in a cabinet reshuffle conducted by President Ibrahim Babangida.

Almost simultaneously, Nigeria's economic circumstances markedly picked up, as the Gulf crisis began pushing the price of Nigeria's oil to around $30 per barrel.

That increase ensures that the average price for the year of $18 – on which the 1990 budget is based – will comfortably be exceeded. Over the last few weeks Nigeria has boosted production, with output moving up from around 1.6m barrels a day to nearly 1.9m b/d.

On hand to take advantage of these developments was Alhaji Abubakar Alhaji, the new Finance Minister. He is already well-known to international bankers and diplomats. A senior civil-servant for many years, he was made a government minister by President Babangida in 1988.

Last year "Triple A" (as he is known to all and sundry), was the driving force behind a number of rescheduling agreements on Nigeria's $33bn international debt, and has built up a reputation as a highly skilled negotiator.

He will need all his skills, however, for he faces a formidable task which is not necessarily made easier by the oil bonanza.

Lagos is in dispute with all its main creditors including the London Club, the Paris Club group of creditor governments and the World Bank, and has yet to renew an agreement with the International Monetary Fund which expired last April. The position is most critical with the London Club.

Mr Falae's announcement last May that Nigeria would repay the $5.5bn debt over 30 years, and with a 3 per cent interest rate, was vigorously rejected by the banks.

In the weeks that followed Lagos stood firm. But the appointment of "Triple A" is being seen by some analysts as a sign of President Babangida's desire for a settlement. However, he will first have to answer the commercial banks' contention that Nigeria has been earning more than the central bank in Lagos cares to admit.

In particular, the London Club will point to a recent central bank review of the first half of 1990, which indicates that while claiming to be strapped for cash, the government has been on what seems to be a spending spree.

By the end of June it had already exceeded its budget deficit target for the year, and it is currently on course for an alarming 12-month deficit of more than $3.5bn.

The level of expenditure is also believed to be the reason behind the IMF's refusal since April to give its stamp of approval to the government's economic policy. Absence of this endorsement is the main obstacle to an agreement with the Paris Club, which is owed $14bn.

No one is better equipped to explain the high spending than Alhaji himself: before switching to the Finance Ministry, he held the Budget and Planning portfolio, with overall responsibility for government expenditure. With few debts having been paid since April – total debt arrears are believed to exceed $1bn – there should at least be the comfort of healthy external reserves.

According to official figures, these have risen from $1.7bn at the end of last year, to $2.9bn in July, in line with previous creditor-agreements which stipulated that oil-revenue above $16 a barrel should be paid into a stabilisation account.

Of this money, half was to be used to build up external assets and half to repaying debt.

But whether the figures for external reserves are accurate is a matter of controversy.

As one western diplomat commented: "We know the money goes into the stabilisation account but whether it remains there is in doubt." This view is supported by a banker who believes the figure for external reserves has been inflated by the inclusion of ineligible funds, such as the working foreign capital of some parastatal corporations.

The central bank denies that the figures for external reserves are inaccurate, but to a great extent the damage has been done. Lacking confidence in the economic data presented by the government, creditors have drawn up their own estimates which would justify repayment terms better than those offered so far by Nigeria, and dug in their heels. Analysts now believe that President Babangida wants creditors to take a leap of faith after months of acrimony.

He is keen, they say, not only to break the deadlock, but to reach a settlement that will see his administration through to October 1992, when power is to be transferred to an elected civilian government. He is also anxious to ensure continuity in economic policy, if possible extending beyond the handover. The present military regime is known to be pushing the IMF for a three-year agreement in order to do away with recurrent annual negotiations.

If accord with the IMF is concluded, a Paris Club agreement should follow, although not on Toronto terms, which allow debt forgiveness to the poorest African countries.

Negotiations with the London Club, however, promise to be more complex. A report on the last round of negotiations, written by the commercial banks' steering committee, said that there were "fundamental differences" between the two sides, although a Nigerian demand to allow the government to buy-back its own debt is being considered.

But the report emphasised that Nigeria had been requested to clear its arrears and keep payments current, "particularly in the light of the prospect of higher proceeds from oil". This clear warning that Nigeria's oil windfall has hardened the attitude of the creditors will not be lost on "Triple A."

Brisbane judge orders the arrest of Skase

A JUDGE yesterday ordered the arrest of Mr Christopher Skase, the Australian former media millionaire whose dreams of becoming a Hollywood movie mogul crumbled last year, Reuter reports from Brisbane.

Judge Ian Wylie, in the Brisbane district court, said a court officer should serve an arrest warrant on Mr Skase, whose counsel said he was in Barcelona, Spain, because of his failure to appear.

Mr Skase was due to give evidence on Monday in a liquidator's examination of Lloyds Ships Holdings, a shipbuilding associate of his Qintex Australia. As chairman of Qintex, a media and leisure conglomerate, Mr Skase unsuccessfully attempted to take over communications giant Metro Goldwyn Meyer/United Artists last year.

Qintex, with debts estimated at some A$1.6bn, was placed in receivership last November a few weeks after the MGM/UA deal collapsed.

Bangladesh forced into new austerity measures

By Reazuddin Ahmed in Dhaka

BANGLADESH has imposed restrictions on spending, rationed foreign exchange and embargoed the creation of new jobs in an attempt to counter the adverse impact of the Gulf crisis on the country's fragile economy.

The series of austerity measures has reduced imports and slowed economic activity. According to Mr Mohammed Abdul Munim, Finance Minister, about $500m (£269m) will be lost because of a fall-off both in exports and in remittances from Bangladesh workers in the Middle East.

More than 100,000 Bangladeshis are returning from Kuwait and Iraq through the relief camps in Jordan and Turkey. A crisis management committee, headed by Vice President Maudud Ahmed, estimates a loss of $100m in remittances from Kuwait and Iraq annually. Taking into account exports and a squeeze on jobs in other Gulf states, the forecast loss is $250m.

Bangladesh has stopped the export of tea to Iraq in response to the UN sanctions. Bangladesh receives $700m to $800m annually in remittances from all its overseas workers.

In addition, the returnees will crowd the country's job market and create serious social and economic problems for the government, which had has already put restrictions on recruitment.

Bangladesh has approached its donor countries for support. Their representatives in Dhaka were briefed on the difficulties and the austerity measures being taken.

The Paris-based Bangladesh Aid Club is scheduled to meet in the first week of next month to review economic performance as the spectre of stagflation looms large.

Korean schoolchildren making their way across a flooded street in Seoul yesterday after torrential rain left at least 35 people dead and thousands homeless from the rising water and landslides.

Liberian leader thrived in role of ruthless dictator

By Michael Holman, Africa Editor

THERE was poetic justice in the violent way in which Samuel Kanyon Doe appeared this week to have ended his decade in office, although it augurs ill for Liberia.

On April 12 1980, Master Sergeant Doe led a band of junior officers into the mansion of President William Tolbert and slaughtered him in his bedroom.

They went on to order the public execution of 13 senior members of the ousted government, and brutality was to become the hallmark of the regime. Ten years later he has been reported killed by his enemies, leaving behind a country in anarchy.

Born in May 1952, Doe managed no more than a rudimentary education and joined the army when he turned 17. Once in office Doe was ruthless. Opponents were murdered or imprisoned under appalling conditions, and insurrections ruthlessly put down by soldiers mainly drawn from Doe's Krahn tribe, fuelling a legacy of revenge and ethnic enmity.

For most of his tenure the US remained a supportive ally, turning a blind eye even when elections were blatantly rigged in 1985 and the nature of the regime was apparent.

The circumstances of Doe's death remain unclear. The last reliable report – an eyewitness account by Elizabeth Blunt, the BBC correspondent – had him being carried away, wounded in the legs, by rebel soldiers.

They had opened fire on the former president when he and a retinue of bodyguards were visiting the offices in Monrovia of the West African intervention force.

Some accounts say he was then questioned by Mr Prince Johnson, a rebel leader. Whether he died of his injuries, or was put to death by Mr Johnson – who has achieved notoriety for his cold-blooded, personal, public executions of prisoners, is not yet known. The body of Mr Doe is then said to have been put on display at a local hospital.

Heavy fighting was reported in Monrovia yesterday where rebels hunted troops loyal to Doe, agencies report.

The West African group trying to pacify Liberia, meanwhile, called for rebel leader Mr Charles Taylor to stop fighting now that Doe was believed dead. Mr Abass Bundu, executive secretary of the Economic Community of West African States (Ecowas), said: "Now Doe is no longer there we should expect [Taylor] to lay down his arms."

Australian union in telecom threat

A BIG Australian union threatened yesterday to disrupt government plans to allow foreign competition to the new state-owned telephone utility, Reuter reports from Canberra.

The plans involve foreign companies competing against a merger of Telecom Australia with OTC, the country's international operator.

Foreign companies that have expressed an interest in entering the Australian telephone market include British Telecom, Britain's Cable and Wireless and Bellsouth of the US. The new company will ultimately have to be majority Australian-owned.

"Unions would staunchly oppose introduction of a competitor," said Mr Ian McLean, president of the Australian Telecommunications Employees' Association.

Equatorial Guinea is condemned

Amnesty International alleged yesterday that torture was "accepted practice" in Equatorial Guinea even though it was banned under the constitution and by international treaties signed by the government, Reuter reports from London.

"The ban exists on paper but nowhere else," the London-based human rights organisation said in a report. "The government has not shown the political will to back up its words with action."

Japanese profit growth slows

By Ian Rodger in Tokyo

JAPAN'S main manufacturers remain confident about the prospects for business expansion, but their profit growth is slowing as costs of materials and money rise, according to a quarterly survey by the Bank of Japan published yesterday.

The confidence index of major manufacturers eased to 46 in August from 48 in May and 52 in February, but was still strongly positive.

The index figure is the difference between the percentage of respondents to the survey who foresaw good business conditions and the percentage who were pessimistic about the outlook. It grew sharply from negative levels in 1987 to reach more than 50 in early 1989.

In general, companies in processing sectors were more optimistic than those in materials industries. Confidence indices in metals, general machinery, and the motor sectors all rose, while those in pulp and paper, chemicals and ceramics fell, reflecting in part fears of rising energy costs because of the Gulf crisis.

"Materials industries are seeing a slackening of demand, but the maturing Japanese economy remains on a high plateau as a whole," said Mr Masaaki Nakao, director of the BoJ's research and statistics department.

Mr Nakao said a special survey was conducted on oil-related industries to study possible effects of the Gulf crisis, but the result suggested only a slight deterioration in prospects and marginal rises in product prices. However, profit declines in the oil, electricity, pulp and paper and chemical industries were inevitable, he added.

The confidence index for big non-manufacturers rose to 50 from 48 in May, while that for small and medium sized manufacturers advanced from 31 to 32.

The manufacturers foresee a slowing of pre-tax profit growth to 4.9 per cent this year, due to rising material and distribution costs, while non-manufacturing companies, excluding utilities, see a 4.4 per cent rise.

Plant and equipment investment by major companies in the year to next March is likely to rise by 12.1 per cent, the third year in a row of double digit increases. Manufacturing industries will spend at an even higher 17.3 per cent rate, according to the survey. Corporate executives' anxieties are mainly to do with the rising cost of money and labour shortages. The confidence index for ease of funding dropped to 16 from 21 in the May survey, and it is forecast to fall to 12 in December.

However, the average corporate liquidity ratio (liquid assets as a percentage of average monthly sales during the period) will continue moving at high levels in the months ahead, reaching 2.01 per cent at the end of September. A negative index on the availability of workers reached a record 41, and is expected to rise to 46 in the next survey in December.

● Japanese machinery makers received orders totalling Y1,814 tr (million million) in July, up 23.6 per cent from a year earlier, the Economic Planning Agency announced yesterday, AP-DJ reports from Tokyo. The gain in the latest reporting month was in line with a steady upswing that reflected the country's vigorous economic growth led by domestic demand.

Japanese manufacturers have been stepping up investment in production facilities, contributing to the persistent increase in machinery orders.

Mongolia chooses a PM with economic background

MONGOLIA'S first democratically elected legislature, signalling the new emphasis on economic problems, named the top price control official as Prime Minister, AP reports from Peking.

China's official news agency Xinhua, in a report from the Mongolian capital Ulan Bator, said the legislature confirmed President Punsalmaagiin Ochirbat's nomination of Dash Bambasuren as Prime Minister.

Mr Bambasuren, 58, was chairman of the state price and standardisation committee and a graduate of the Soviet Economic Statistics College, the report said.

He replaces Sharavyn Gunjaadorg, 54, former minister of agriculture. Mr Gunjaadorg became Prime Minister in March during a shake-up of Communist Party and government ranks forced by popular pro-democracy demonstrations.

The new 430-seat Great People's Hural was elected on July 29 in the Soviet-bloc nation's first multi-party election, also held as a result of the demonstrations. The Communists, who have ruled Mongolia since 1921, retained power but most of the leaders of newly legalised opposition parties won legislative seats.

As a group, the Communist deputies also are better educated and more reform-minded than in the past. The party says it shares most of the opposition's goals, including shaking up the economy with market-style reforms.

Pretoria 'lost $25bn on oil'

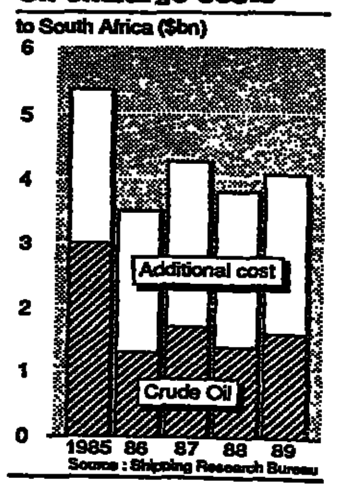
THE international oil embargo against South Africa has reportedly cost Pretoria more than $25bn (£13.4bn) since 1979, Michael Holman writes. But shipping companies based in Hong Kong in particular were helping to undermine it, according to a report released by the Amsterdam-based Shipping Research Bureau.

The 100-page study calculates that between 1979 and 1990 "South Africa has had to spend at least $25bn to overcome the direct and indirect effects of the oil embargo".

Mr Mike Terry, secretary of the London-based Anti-Apartheid Movement, called for tougher implementation of the oil sanctions: "We are now seeing in the Gulf that it is physically possible."

Oil embargo costs

to South Africa ($bn)



Source: Shipping Research Bureau

Kashmir blast kills 21 people

At least 21 people were killed yesterday when Indian security forces fired on a bus carrying suspected Kashmiri militants, causing it to blow up, Reuter reports from Srinagar, India.

Mr Ashok Patel, head of the paramilitary Border Security Force, said militants opened fire after an Indian patrol stopped the bus which was loaded with arms and explosives.

Court order for NZ strikers

New Zealand's Labour Court ordered striking harbour workers to return to work after they paralysed the country's ports for two days, Reuter reports from Wellington.

But the Harbour Workers' Union immediately said it would call another strike to press its demands for a nationwide wages and conditions agreement with employers.

Labour laws say 14 days' notice must be given of planned strike action.

Peking limbers up for the Asian Games

China seizes the chance to put on a show of respectability, Peter Ellingsen writes

WITH THE thoroughness they used to crush dissent last year, Chinese officials have, superficially at least, changed the face of one of Asia's drabbest cities in preparation for next week's Asian Games. Apart from a clutch of new hotels suggesting a sophisticated skyline, Peking has suddenly become a mecca for good manners, shiny cars, painfully eager waiters and Swiss-tidy streetscapes.

Even the capital's notorious "acrobats", or traffic-blind cyclists, have toned down their antics, to match the spirit of bunting and beaming Panda bears that characterise Peking's attempt to impress the world with its development and stability. In typical Sino-Socialist style, this has not happened voluntarily.

Much of the money for the Yuan 600m (£87m) face-lift has been cajoled from residents still seething over last year's crackdown. Many people living along the main route into town have been forcefully ejected from their homes, migrant workers repatriated, and other undesirables, such as prisoners on parole and psychiatric patients, forced into custody until after the Games.

The result is – particularly along the drive from the capital's airport to Tiananmen Square – a Potemkin-village of stylised Chinese houses, neatly swept footpaths and newly-painted road signs, balconies and walls. Behind the facade lies the sparse living space that most Chinese call home, but tourists attending the Games won't know that.

Cyclists are being heavily fined for disobeying traffic signals, and service staff, among the most inhospitable in the world, are being daily indoctrinated on the need for "unity, friendship and progress", the theme of the Peking Games.

The most blatant piece of social engineering involves banning locally-made jeeps and small, two-seater cars from the Avenue of Eternal Peace. By keeping ugly and cumbersome vehicles off the main drag, Peking hopes to appear modern and beautiful for the anticipated 20,000 visitors. To ensure Mandarin-speaking tourists don't learn too much, and others are protected from the crime-wave, taxis must place a partition between driver and back-seat passengers.

For locals, the message of coercion is reinforced with lectures from their work-units, demands for more "donations" and purchases of Asian bonds, and the presence of armed police and militia every few metres on overpasses and roads.

"We don't want the Games, and no one wants to help the government, but we have to," explained a middle-aged worker. Sneering at the relentless promotion, he said he hoped students would mount a small protest to vent residents' feelings.

But with so much prestige at stake, there is little chance authorities will relax enough to permit even a poster to appear during the two-week-long games. Hotels, crippled with poor occupancy rates since last year, report heavy bookings during the extravaganza, but say many visitors plan to come only for September 22's opening ceremony.

Travel agents in Hong Kong say that, though all the tickets were pre-purchased, ticket touts hoping to cash in are having problems re-selling them because of fear of further unrest. Foreign companies offered opening ceremony tickets for $300, many times their original price, are thus biding their time and watching the market price gradually decline to more realistic levels.

Foreign sponsors, including Coca-Cola and Mars, have invested heavily in the razzmatazz, with hundreds of staff flying in for an endless round of banquets and promotions.

One unresolved problem is the status of Iraq, which a postal ballot of some Asian Games organisers last week decided should be banned. Those same organisers are due to meet on September 20, just two days before the Games open, to formally vote on Iraq's suspension. Chinese officials are trying to maintain a sanguine view of the issue and hope it all blows over. But there is the chance of a boycott by Kuwaiti-supporting Arab states should Iraq stay in the competition.

Boycott or no, Chinese athletes will dominate. If there are no disturbances for the thousands of foreign media to film, the sporting sleight-of-hand might pay off by giving the tottering and unpopular regime a morale boost.

Hong Kong company to move despite Peking link

By John Elliott in Hong Kong

A HONG KONG electronics company owned by a relative of a senior Peking official has become the latest business to switch its domicile abroad in advance of the colony's return to Chinese sovereignty in 1997.

The private company, which is moving its headquarters to Singapore, is Management Investment and Technology. It was founded 15 years ago by Mr Richard Yung, a nephew of Mr Rong Yiren, chairman of China International Trust and Investment Corporation (Citic), Peking's leading international investment organisation.

The Yungs were extremely wealthy capitalists in pre-Communist China and Mr Rong Yiren was one of the few members of the family not to flee in 1949 when the Communist regime took over the country. His son, Mr Larry Yung, now heads Citic's Hong Kong arm.

The fact that a company with such associations should move its domicile will embarrass Peking. It also underlines growing concern among Hong Kong's business community about a Communist takeover of local assets after 1997. Between 70 and 90 companies have moved their domicile in recent years, or are planning to do so.

Mr Yung said yesterday that 1997 was a factor in his decision but added that Singapore had other "special advantages", such as tax concessions, that made it attractive. He was setting up a new parent company in Singapore where he had applied for a stock exchange listing.

The company is a small- to medium-sized manufacturer of consumer electronics goods such as bathroom scales and smoke detectors. Ironically, it has recently shifted all its production to the southern Chinese city of Dongguan because of cheap local labour rates. Mr Yung said it might now also manufacture in Singapore.

Cambodia rivals leave Jakarta

Prince Norodom Ranariddh of the Cambodian resistance coalition left Jakarta yesterday after he and his rivals agreed to share power in an effort to end the country's long civil war, AP reports from Jakarta.

Premier Hun Sen of the Phnom Penh government was to leave today. On Monday Cambodia's four warring factions agreed to share power in a Supreme National Council and accepted a peace plan drawn up by the UN.

Riots in Burma

Six soldiers and five policemen were injured when Buddhist monks and students threw rocks and fired missiles from catapults at them during anti-government demonstrations in Mandalay, according to Burma's military government, Reuter reports from Rangoon.

AMERICAN NEWS

Brazil mounts big liquidity squeeze to fight inflation

By **Christina Lamb** in Rio de Janeiro

THE Brazilian Central Bank is mounting a massive 950bn cruzeiro (£7.5bn) liquidity squeeze this week in its latest attempt to bring down inflation.

So far, 160bn cruzeiros ($2.36bn) has been withdrawn from circulation and the rest is due to be withdrawn by Monday, making this the largest operation since 80 per cent of the country's assets, some $60bn, were seized in March.

The aim of tightening monetary policy is to make cruzeiros scarce, forcing a decrease in prices and thus reducing inflation from its current 12 per cent a month to a targeted 4 per cent by the end of the year.

The central bank intends to pull in 950bn cruzeiros through the third round in the sale of privatisation certificates, the forcing of banks to keep new higher compulsory reserve levels in the central bank and preventing the use of assets blocked under the original Collor plan to pay debts. Now they must use cruzeiros, which they can only obtain by selling foreign exchange.

However, the government of President Fernando Collor is walking a tightrope in pursuing this policy. Bankers estimate that the cruzeiro is significantly overvalued, with the effect that Brazilian exports are becoming increasingly uncompetitive at a time when the domestic market has also shrunk.

The parallel or black market dollar rate has always been seen as a guide to the stability of the Brazilian economy. For years people have kept savings in dollars or gold. But for the past three months an incredulous Brazilian population has watched the parallel dollar-cruzeiro rate and price of gold fall while inflation continues to rise at around 10 per cent a month.

To maintain confidence in the cruzeiro the central bank sold large quantities of gold from March to August, dumping the dollar proceeds on the parallel market and thus bringing the difference between the parallel and official rate down to less than 15 per cent, the lowest for years.

The government also mounted an advertising campaign warning people against speculating in gold and dollars and encouraging investment in tied bank certificates, which due to the current tightening now have interest rates of 630 per cent.

The trick seems to have worked. Now no one wants dollars and the last 10 days have seen an average of $30m a day in dollars brought back to Brazil by people wanting to exchange them for cruzeiros, believing that dollars are no longer a worthwhile investment.

Last week, however, this started getting out of control, leaving the government to buy $300m to prevent the official rate falling too low. Some economists believe the government is deliberately allowing it the dollar to fall because it is expected to make a foreign debt payment shortly after forthcoming elections and will need dollars.

Others are sceptical. "Using the exchange rate for anti-inflationary policy may help in the transitory period but can be a very dangerous instrument if continued too long," warned Ms Clarice Pechman, executive director of the National Association for Exchange Rate Dealers.

Care of US mentally ill criticised

NEARLY four times as many Americans with serious mental illness live in homeless shelters, on the streets or in prisons than in public mental hospitals, said a report published yesterday, Reuter reports from Washington.

"In 1990, services for individuals with serious mental illness in the United States are a disaster by any measure used," said the report by the National Alliance for the Mentally Ill (NAMI).

The report estimated that at least 150,000 Americans with schizophrenia or manic-depressive psychosis – the most common serious mental illnesses – live in homeless shelters or on the streets and 100,000 more in prisons, while only 70,000 are in one of 268 public psychiatric hospitals.

The alliance says public mental health care programmes, which fall under the responsibility of state governments, consume $20bn (£10.25bn) a year in public funds. Yet "things are getting worse, not better," said executive director Mr Laurie Flynn

"Too many mental health professionals have abandoned the public sector and mentally ill people. Most community mental health centres have failed to respond to this crisis and funding for services is chaotic."

Bogotá plans to doff economic straitjacket

Colombia's rulers aim to reform laws and seek overseas help, reports **Sarita Kendall**

COLOMBIAN President César Gaviria has been in office only five weeks but he has already begun, like a number of Latin America's recently elected leaders, to focus on economic reform, tackling such previously taboo subjects as foreign exchange controls in an effort to liberalise trade and attract foreign investors.

Mr Rudolf Hommes, Colombia's Finance Minister, says the present exchange law is "a straitjacket. We want a new law which will allow flexibility and evolve in the future."

He emphasises that a freed exchange rate is a long way off, but says people will now be able to buy and sell reasonable amounts of dollars legally. In effect, having a foreign bank account, which is already common practice, will also become legal.

For a country with a busy black market pegged closely to the official rate the change may not seem revolutionary. Yet it is an important step for Colombia.

"It will help restore confidence. If Colombia continues with so many controls it will be left behind, especially with 1992 coming up," said Mr Charles Weston, president of the Colombian-British Chamber of Commerce.

Although the Colombian economy has continued to grow by more than 3 per cent a year, through a period of extraordinary violence and political upheaval, international bankers have dropped Bogotá from their itineraries. Foreign investment fell by a third in the first half 1990. The drug wars have been expensive – government sources quote costs of $1bn (£510m) – and will continue to drain public funds even if the present lull develops into the permanent truce promised by the traffickers.

Mr Gaviria has repeatedly asked the US to show its appreciation of Colombia's anti-drug efforts with market access, in the context of President George Bush's Enterprise for the Americas Initiative unveiled earlier this year.

The first bilateral meetings are to be held this month and both governments expect to define a specific agenda for economic co-operation. Textiles, agricultural and leather goods are high on Colombia's list; trade agreements would provide opportunity for foreign investment in these areas.

Mr Jaime Garcia Parra, a former energy minister who has earned a reputation for reviving ailing companies, is being put forward as ambassador to Washington. With this and other foreign appointments, economic diplomacy is becoming an integral part of the liberalisation process, as Colombia tries to turn political promises made by industrialised countries into serious offers of co-operation.

The government plans to lift the permitted level of profit remittances "significantly" above the present 20 per cent, according to Mr Hommes. Red

Gaviria: first five weeks

tape is also being cut; the National Planning Department's approval for new projects will only be needed in special cases, and all constraints will be reduced to a minimum.

Mr Hommes sees coal and oil as important areas for export-oriented investors, while the creeping privatisation programme and the financial sector could draw foreign capital.

Apart from oil and mining, overseas investment had played a small part in the Colombian economy. Chemicals and metalworking industries are top of the table, but total foreign investment in manufacturing is still under $1.5bn.

Oil companies have been a particular target of the National Liberation Guerrilla Army (ELN), which has shown no sign of abandoning the military path for peace talks. Last week an attack on the Cano Limon pipeline spilt over 10,000 barrels of crude.

Despite such difficulties, oil companies are still looking for acreage in Colombia. However, contracts issued by Ecopetrol, the state oil company – which were sufficiently attractive to draw many companies during the 1980s, particularly in the wake of Occidental's big Cano Limon discovery – have to compete with Venezuela, Mexico and eastern Europe and there are pressures to improve terms.

BP is optimistic enough to be negotiating with Ecopetrol for four offshore areas along the Caribbean coast. "We have confidence in Colombia's long-term future," said BP in Bogotá.

Earnings from oil and mining, as well as lower imports than expected, will help offset delays in multilateral credit. The government is putting a four-year, $1.9bn package to the commercial banks, and relations with its main creditor, the World Bank, have improved.

The main point of contention now appears to be the speed of opening up. The new president and his economic team are firmly against shock measures, whether to combat inflation – which at an annual 29 per cent is now unusually high for Colombia – or to change the structure of interest rates; the country cannot afford the unemployment and the bankruptcies, says Mr Hommes, who has already announced an austerity programme.

While some changes – such as foreign exchange and labour legislation – have to go through congress, others involve institutional reorganisations, new infrastructure and easier loans; export permits have already been simplified. But most of this will take time. A British trade mission, visiting Colombia as well as Venezuela and Ecuador in November, will be able to test the ground.

Mr Weston, who has signed a contract for the sale of 35 coffee sorting machines to Fedecafe, says there is enthusiasm in the air but he is "waiting for the nitty gritty."

Warning on US bank deposit insurance

By **Anthony Harris** in Washington

THE General Accounting Office, an agency of the US Congress, warned yesterday that the bank deposit insurance system was inadequately funded for the tasks it faces, especially if there is a recession.

"Not since its birth during the Great Depression has the federal system of deposit insurance for commercial banks faced such a period of danger and uncertainty as it does today," said the report by Mr Charles Bowsher, the Comptroller General.

The warning is similar in tone to those given in recent congressional appearances by Mr William Seidman, chairman of the Federal Deposit Insurance Corporation (FDIC). Mr Bowsher listed 35 problem banks at the end of 1989, of which 15 have failed so far this year. The GAO said it had identified "a significant number" of other banks with negative performance trends.

The GAO estimated the FDIC exposure over the problem banks, which had combined assets of $45bn (£24.2bn) at the beginning of the year, at up to $6.3bn. The insurance fund now stands at $13.2bn, after recent losses, and a further $2bn loss is expected this year. While approving the FDIC's decision to try to recoup its losses through higher insurance premiums, the report urges Congress to take steps to limit risky exposures on the part of the insured banks, presumably through re-regulation. "We must do everything possible to ensure that the banking industry avoids the debacle that consumed the savings and loan industry," says the report.

Menem orders inquiry into missing $67.5bn

By **John Barham** in Buenos Aires

ARGENTINA'S President Carlos Menem has ordered an investigation into the loss of $67.5bn (£36.3bn) by the central bank over the past decade. The money is equivalent to a year's national income, or more than the entire foreign debt.

Mr Menem told federal prosecutors to find out where the money went and to charge individuals found to have benefited. Central bank handouts were a favoured form of business corruption.

Mr Roque Fernandez, a director of the nominally independent central bank, said last week that it had spent the $67.5bn to finance the government, bail out failed banks and subsidise private companies. He alleged that 80 per cent of the money was channeled to the private sector.

Most of the losses stemmed from loans that were not repaid, discounts and subsidies to private and public banks, and exchange rate transactions, Mr Fernandez said.

The central bank covered its spending by printing trillions of australs, fuelling Argentina's formidable inflation rates.

However, Ambito Financiero, a business newspaper, warned of the planned investigation: "Prosecutors do not have the means to investigate something like this, which in any case would take years. It would be better to investigate the Argentine mentality which led to tremendous mismanagement of the economy in the past decade."

Reuters staff vote to authorise strike in US

US employees of Reuters news agency have authorised their union leadership to call a strike against the company, the Newspaper Guild of New York announced late on Monday, AP reports from New York.

Guild members voted by more than 20 to 1 last week for the authorisation after contract talks that began nearly a year ago failed to result in an agreement. The Guild represents nearly 500 employees, including 150 journalists.

The Newspaper Guild blamed the failing talks on "Reuters' demands that it substantially raise the cost to employees for their health insurance" while cutting maternity benefits and severance pay.

Mr Andrew Nibley, Reuters editor responsible for North America and Latin America, said he did not want to comment specifically on negotiations while they were continuing.

"I would say that all major US corporations are dealing with the whole issue of spiralling health care costs and how they can be contained. We think that our salaries are quite competitive and among the best in the industry," he said.

"I don't think a strike would be in anyone's interest and I certainly hope it doesn't come to that," he added.

The guild represents journalists, technicians, computer operators, sales support staff, customer service and clerical employees. The last contract expired in February.

WORLD TRADE NEWS

EC urged to scrap tariffs

By Louise Kehoe in San Francisco

UNITED STATES electronics industry executives are mounting a campaign to pressure the European Community to eliminate import tariffs on semiconductor chips and computer parts. Their efforts are timed to coincide with trade negotiations under way in Geneva.

The EC imposes 14 per cent tariffs on semiconductor imports and 4 per cent duties on computer parts.

The tariffs have long been a bone of contention between the US and EC. Despite actions by the US and Japan effectively to eliminate semiconductor and computer part tariffs in 1984, the EC has so far refused to follow suit. The EC has proposed a 30 per cent reduction in the tariffs, but the US is seeking a phased elimination of duties over three years.

Tariffs have a negative impact upon the European computer and electronics equipment industries by effectively raising the prices of computer parts and semiconductor chips in the European market, the US producers say.

According to US industry estimates, the EC tariffs cost European buyers of US products about $700m a year. They also create a dilemma for foreign chip makers who are establishing new production plants in Europe to circumvent pending changes in EC rules of origin and local content.

While these EC regulations are designed to encourage European-based production of semiconductor chips, the tariff system ironically acts as a disincentive for foreign chip makers to manufacture products in Europe. Under current regulations, European purchasers of imported chips can apply for a six-month exemption from import tariffs if the product is unavailable from a European-based manufacturer.

Thus, for example, a European buyer of Intel microprocessor chips – the devices that are the "brains" of most personal computers – can seek a temporary suspension of tariffs because the chips are made only in the US.

When Intel opens its planned factory in Ireland, however, the microprocessor chips will no longer be covered by the suspension system. Since Intel is unlikely to be able, at least initially, to meet total European demand from its Irish plant, tariffs will effectively raise the price of imported chips in Europe.

Divided when the chips are down, Page 16

Hills seeks to beat textile bill

By Nancy Dunne in Washington

THE BUSH Administration is this week intensifying efforts to defeat protectionist US textile legislation with new arguments which draw in the President's popular Gulf policy and the crisis in the Middle East.

Passage of the legislation in the Senate in July, by a vote strong enough to override a presidential veto, caused deep uncertainty in the Uruguay Round about the US commitment to trade reform.

The bill is due to come up in the House this month, possibly even late this week, where it is expected to win approval by a comfortable margin.

Mrs Carla Hills, US Trade Representative, who is leading the Administration charge against the legislation, is linking the success of the Uruguay Round with the Gulf policy.

In a tough speech on Monday, she warned that passage of the bill would jeopardise the international trade talks and send the message to US allies that the government is "willing to ignore its international obligations.

"Indeed, passage of the bill would directly abrogate agreements recently entered into with Turkey and Egypt, two countries indispensable to our efforts to solidify crucial international collaboration."

Proponents of the bill say it may even pass the House by a two-thirds vote, indicating the possibility of a veto override in that body.

That would cause further embarrassment to the Administration, even if, as is likely, it will be able to sustain a veto in the end.

The legislation sets up a new global quota system for US textile and apparel imports, wiping out the current bilateral quotas negotiated under the Multi-Fibre Arrangement and substituting worldwide quotas, which would exclude only Canada and Mexico.

Its backers insist it is entirely legal under Gatt, which allows governments to protect industries found to have suffered damage from imports.

Mrs Hills is arguing that the textile and apparel industries are "doing well", that domestic exports rose 27 per cent in 1989, and that capacity utilisation at textile mills is at an all-time high.

Going further, she is including the success of the Uruguay Round with President Bush's vision of a new world order.

He has promoted international co-operation to achieve political and economic stability "not only to contain this recent military aggression, but also to build a strengthened global trading system.

"If this bill becomes law, the Uruguay Round may well collapse," she said.

Canada to seek role in US-Mexico negotiations

By Bernard Simon

PRESSURE from a wide range of business groups is nudging the Canadian Government to seek inclusion in forthcoming negotiations on a US-Mexico free trade agreement.

Mr John Crosbie, Canada's trade minister, is expected to announce a decision in the next week or two on Ottawa's role in the talks. But reports suggest the cabinet has already decided to seek a more active role for Canada than envisaged when a US-Mexico trade deal was mooted earlier this year.

Canada is expected to insist the talks with Mexico do not impinge on its own free trade agreement with the US, in force at the start of 1989.

Canada's two-way trade with Mexico, at C$186bn ($163bn) last year, is less than 10 per cent of its trade with the US. But the business community has warned that exclusion from the US-Mexico talks could harm Canada's foreign trade and inward investment flows.

In a study published this week, Royal Bank of Canada spelt out four risks to Canada of liberalised trade between Mexico and the US:

● Low labour costs in Mexico and increased investment in manufacturing there may give Mexican exports an edge over Canadian products in the US market.

● More US finished products with Mexican-made inputs could find their way into Canada under the duty-free provisions of the US-Canada free trade pact.

● Greater Mexican penetration of the US market may tempt some US producers to target the Canadian market more aggressively.

● Labour costs and geographic considerations may divert industrial investment from Canada both to Mexico and the US. Canadian unions have complained about several companies which have cut production costs by moving to Mexico.

Mexico, wants a framework in place by next May.

Motorola signs deal with Siemens

MOTOROLA said it signed an agreement in principle with Siemens to license each other's essential patents for the Pan-European Digital Cellular Mobile Communications System, Reuter reports from Arlington Heights.

The agreement paves the way for a standardised cellular telephone system throughout Europe, Motorola said.

The Schaumburg, Illinois-based company, previously announced a similar licensing agreement with Alcatel, another major communications supplier in Europe.

Motorola has won several digital cellular systems contracts in Europe with similar technology to that proposed for the Pan-European system. The contracts are for validation systems in Spain, Scandinavia, the UK and West Germany; for pre-operational systems in Spain and the UK; and for operational systems in Sweden and the UK, Motorola said.

Cuba offers UK oil industry new market

By Tim Coone, recently in Havana

THE ENERGY crisis in Cuba, caused by a 20 per cent cut in Soviet oil supplies, may produce unexpected export opportunities for the UK offshore oil industry.

Western diplomats in Havana say Cuba wants to speed up offshore oil exploration to reduce the country's near-total dependence on Soviet supplies.

This will almost certainly lead to greater flexibility in negotiating joint ventures or exploration risk contracts with foreign companies.

The UK's lead in the offshore oil industry, and well-established trade links with Cuba, makes it a natural candidate for Havana's interest.

Cuba needs about 12m-13m tonnes of oil a year. Domestic oil production in 1989 was only 800,000 tonnes, mostly from onshore wells along the north coast between Havana and the Varadero Peninsula.

With a high sulphur content, the oil is costly to refine.

However, tests undertaken last year from Cuba's first offshore well in Cardenas Bay near Varadero have given "encouraging" results, according to the Cubans.

The oil is apparently lighter and has a lower sulphur content than that from the onshore deposits.

The first post-1959 oil discoveries in Cuba were made in the late 1960s, but exploration has gone ahead slowly, due to technological shortcomings and long-term Comecon trade commitments.

Cuban geological studies show that the island has approximately 140,000 sq km of potential oil-bearing rock formations of which some 70,000 lie on the island's continental shelf.

The northern offshore formations are thought to hold the highest potential, but most of these have still to be prospected.

China to open trade zone in Shanghai

CHINA will open its first free-trade zone in Shanghai, according to the official Xinhua News Agency, AP-DJ reports from Shanghai.

The zone will be located in part of the Pudong development area, a newly established 350 sq km district east of the Huangpu River, which is intended to attract foreign investment.

The free trade zone will initially cover 3.28 sq km and need 1bn yuan ($212.7m to develop in the first five years, the report said.

It quoted an unidentified Shanghai official as saying plans are to expand it to 10 sq km by the year 2000.

EC deal on Eproms hits right note

Michael Skapinker and Lucy Kellaway on a chip pact with Japan

THE EUROPEAN Commission is expected to sign an agreement next month with a group of Japanese semiconductor manufacturers, establishing a floor price below which the companies will undertake not to sell Eproms, a type of memory chip, in Europe.

The anti-dumping agreement is the second that the Commission has concluded with Japanese electronic companies this year. The first was designed to prevent the dumping of a different kind of chip, Dynamic Random Access Memories (D-Rams). Unlike Eproms – Erasable Programmable Read Only Memories – D-Rams lose the memory they have stored when the power is switched off.

The D-Ram agreement attracted furious opposition from the European computer industry when it was published last January. The computer companies said that an increase in the cost of a vital component such as D-Rams could drive them out of business.

They are less concerned about the impending Eprom agreement, largely because the Japanese companies involved do not have the dominant market position in Eproms that they have in D-Rams.

Furthermore, the European Electronic Component Manufacturers Association (EECA), which launched the anti-dumping complaint against the Japanese, admits that the Eprom agreement is now little more than an "historical case study". The Commission has taken so long over its investigation that the alleged Japanese dumping has since ceased.

"When we launched our complaint more than three years ago, there was dumping by the Japanese. The Commission has established that," says Mr Eckhard Runge, EECA's secretary-general. "But the Japanese manufacturers are not dumping at the moment. Our industry might be worried about the Eprom situation, but the problem is not the Japanese."

The problem, according to Mr Enrico Villa, vice-president for governmental affairs at SGS-Thomson, the Italian-French chip maker, is the Americans. "American companies are selling Eproms at a low price. I can't say whether they are dumping or not. We haven't submitted any complaint," he says. Mr Villa, whose company is Europe's leading Eprom manufacturer, says the value of the new Eprom agreement is that it could help deter other companies from dumping.

Once the Commission has demonstrated that it will not permit the dumping of Eproms by the Japanese, the principle can be extended to companies from other countries, he says. He points out that although the D-Ram agreement was signed only by Japanese companies, the Commission has now turned its attention to complaints that a leading South Korean company has been dumping D-Rams in Europe.

Although European buyers of Eproms are more restrained in their criticism of the agreement than they were in the case of D-Rams, they stress that they are still strongly opposed to any attempt to establish a floor price for electronic components. "Our worry about this kind of thing is that is creates artificial market con-

Lamborghini: 'weak position'

ditions," says Mr Bruno Lamborghini, vice-president for corporate planning at Olivetti, the Italian computer maker, and chairman of the European integrated circuit user group.

Eproms, however, are less important to the computer companies than D-Rams. Mr Byron Harding, of the consultants Dataquest, says that the European D-Ram market was worth $1.6bn (£820m) last year, compared to $500m for Eproms.

If the Eprom agreement with Japanese companies pushes up prices, buyers also have several alternative sources of supply. The three leading vendors of Eproms worldwide last year were American – Intel, AMD and Texas Instruments. The fourth biggest was SGS-Thomson.

European computer users also concede that the D-Ram anti-dumping agreement has been less damaging than they feared. At the time the agreement was concluded, the Commission said the floor price would be lower than the market price. Users agree that this has generally proved to be the case.

Mr Georges Grunberg, head of long-range planning and European co-operation at Groupe Bull, the French computer company, warns, however that "the reason the D-Ram agreement has worked up to now is that there has been no over-supply of D-Rams. If there had been an over-supply, the floor price could have been a problem".

Mr Lamborghini adds that while the floor price of the 1 megabit D-Ram, the most widely-used memory chip, has been below the market price so far, problems could arise with its successor, the 4 megabit D-Ram.

As the 4 megabit chip becomes more widely used, "we will enter a turbulent period when prices could drop rapidly. We are very worried about what will happen in the final quarter of this year. We want to be sure that the floor price of the 4 megabit doesn't create difficulties."

He argues, too, that the anti-dumping agreement has put European users of D-Rams at a disadvantage in negotiations with vendors of the chip. The Japanese companies which are parties to the agreement are told the minimum price at which they can sell D-Rams.

The buyers, Mr Lamborghini says, have no official way of establishing what the floor price is. Buyers pushing for lower prices have been told by vendors that the Commission would not allow it.

"We can get some indirect information on the price, but officially we don't have any access to it. That puts us in a weak position," he adds.

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WORLD SPORTS CAR
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EC report says West Germany has twice as many 18-year-olds at college

Rivals 'lead' UK in worker education

By Diane Summers, Labour Staff

THE UK is trailing behind its European competitors when it comes to the education of the bulk of its workforce, according to a review of the European Community labour market published today.

At 40 per cent, the UK has the lowest proportion of 18-year-olds remaining in part and full-time education, compared with Germany at nearly 80 per cent, Netherlands 75 per cent and Belgium 70 per cent.

In most EC countries more than 85 per cent of 16-year-olds are in full or part-time education. In Italy and Spain the figure is under 70 per cent, with Italy, the UK and Spain lagging well behind the other major countries.

In Japan 96 per cent of 16-year-olds are in full-time education and in the US 94 per cent. For 18-year-olds the figures are 59 per cent in Japan and 51 per cent in the US.

The findings come in a comparative study, financed by commercial companies and carried out by the Sussex University-based Institute of Manpower Studies.

According to Mr Richard Pearson, co-author of the report, the education findings were the outstanding feature of the research. Taken with the known poor level of training in the UK, they presented a worrying picture and waste of resources, he said.

Although the UK education system appeared to serve its elite well, it was clearly failing the bulk of the population This would become even more of an issue as the labour market tightened. The UK already had little room for manoevre with comparatively low levels of unemployment, high female participation rates and no new supply of labour.

It was now a question of improving the existing workforce, he added.

On mobility, for a combination of organisation, cultural and labour market reasons, the majority of the workforce will continue to be managed and employed on local conditions, says the study.

"There is, however, a growing demand for certain staff to be recruited, employed and mobile internationally," the report points out. These principally comprise the most senior managers, younger managers being developed for senior management and to integrate businesses, leading scientific and technical staff and, more recently, graduate recruits.

The presures to increase this mobility and internationalisation of the labour market are the need to operate aspects of businesses across national boundaries, overcome local skill shortages and, finally, to widen the range of expertise entering a company.

IMS Report No 193. The European Labour Market Review: the Key Indicators. £24. IMS Mantell Building, University of Sussex, Flamer, Brighton, Sussex BN1 9RF

Stockbroker buys rival for 'nominal' sum

By Richard Waters

CAPEL-Cure Myers Capital Management has bought the National Investment Group in one of the most significant realignments among private client brokers since the 1987 stock market crash.

NIG was formed in a defensive merger of seven regional brokers in 1986 to be able to survive after the Big Bang deregulations of the stock market.

However, the fall-off in private client interest in the stock market after the crash hit NIG along with other brokers – it made losses of £4.9m in 1988 and £1.1m last year.

Also, the group continued to rely on commission income from its estimated 30,000 clients, rather than converting these to fee-paying investment management clients.

NIG, which now has 30 offices in the UK and Jersey, had three major backers – Smith New Court, Electra Investment Trust and Royal Life Holdings – with around a fifth of the shares in the hands of management.

Shareholders could face a near-total write off of their investments. CCM, which is owned by Central Capital of Canada, is said to be paying only a "nominal" amount, which is undisclosed.

Hotspurs cool amid rumours of top player in the market

By Andrew Hill

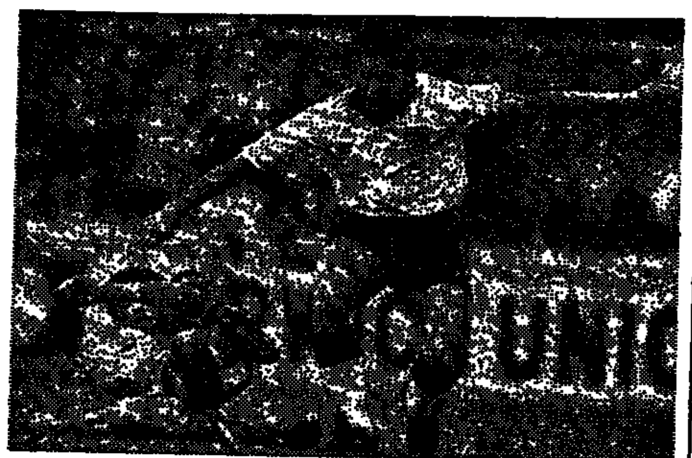
BRITISH soccer club managers are not known for their eloquence, but shareholders in Tottenham Hotspur, the quoted company which owns the famous London football club, must be wishing their directors were a little more voluble.

In a 39-word statement to the Stock Exchange yesterday, Spurs said they were "aware of the speculation surrounding the company, as a result of recent comment in the press" and promised a statement later in the day.

But this morning most Tottenham shareholders are no better-informed than readers of the popular newspapers' sports pages. When the Stock Exchange company news service closed down last night there was still no offical statement about the possibility that Mr Robert Maxwell, the publisher, might underwrite a £12m rights issue at Spurs.

The Stock Exchange and the Takeover Panel have so far been slow to show either player the yellow card, but if they are playing advantage it is difficult to see whose. The Spurs share price jumped 14 per cent on Monday, but slipped 3p yesterday to 108p.

The problem seems to be that the preparation of a statement has proved slightly more complex than leaking a story to the sports pages.



Lineker: Tottenham asset and England's new captain

Mr Irving Scholar, Spurs' club chairman and instigator of the Maxwell plan, praised the publisher on Sunday, but when it has come to revealing the minutiae of the deal he has remained tight-lipped.

Mr Maxwell is no stranger to the City, has chosen to ignore pressure from the regulators and speak through the sports pages. Yesterday, the Mirror, owned by Mr Maxwell, "put the record straight", following suspicions that any deal with Spurs might be jeopardised by the Maxwell family's ownership of two other football clubs, Derby County and Oxford United.

SPURS DEAL IS ON!, the sports pages screamed: if the Spurs deal went ahead, the article continued, the Maxwells would sell as much of their Oxford holding as was necessary to meet Football League rules on ownership.

BRITAIN IN BRIEF

BP receives approval on gas field

British Petroleum received formal Department of Energy approval for the development of its £1.5bn Bruce Field which will supply almost 10 per cent of the UK's gas requirements when it is fully operational from 1994.

The final go ahead for the 2.6 trillion cubic feet field clears the way for Corby Power, a consortium that includes Hawker Siddeley and East Midlands Electricity, to sign a 15 year contract to buy 10 per cent of the gas from the Bruce field.

This will be one of the largest deals to comply with the Monopolies and Mergers Commission recommendation in 1988 that British Gas should not be the sole purchaser from new north sea gas fields.

British Gas will buy 90 per cent of the output from the consortium which is made up of BP, the operator, Elf, Hamilton Oil, Total Oil and Ultramar.

In June BP Exploration awarded six contracts worth £180m for construction of drilling and processing platforms for teh development.

Natural gas will be carried via the Frigg UK pipeline and liquids will pass through the Forties system.

● Industrial action was expected to be revived in North Sea oil and gas fields this morning after strike leaders called for the first 24-hour stoppage among contract workers in more than three weeks.

Reshuffle at NatWest

Lord Alexander, chairman of National Westminster Bank, has instituted his first executive changes since he took over last year.

The changes are intended to bring on a new generation of managers at a time when NatWest is gearing up for what could be a tough time in the 1990's, with increased competition and a difficult economic environment.

Mr Roger Flemington is to become deputy to Mr Tom Frost, the group chief executive, a post which has been vacant since the resignation of senior executives in the aftermath of last year's Blue Arrow affair.

Mr Flemington's former position as chief executive of UK financial services will be taken by Mr Derek Wanless. He in turn will be succeeded as general manager of UK branch business by Mr Martin Gray.

Mr Bernard Horn, formerly general manager in Mr Frost's office, becomes general manager in charge of group strategy and communications.

Lord Alexander: changes

Matsushita plans factory

Matsushita Electric of Japan is to start production of private branch exchanges and related telecommunications equipment at a new production site in Cwmbran, South Wales.

The plant was originally intended for the production of electric motors for office automation equipment. Matsushita said that because of changes in the market it had decided to use it for the manufacture of telecommunications equipment instead.

The new factory will be an extension of the company's plant in Newport, which manufactures typewriters, printers and telecommunications equipment.

It will begin production in November with 100 employees, rising to 200 by the end of 1992.

The initial annual output will be 10,000 private branch exchange units and 20,000 sets of related equipment. This will increase to 30,000 private branch exchanges and 200,000 sets of related equipment by 1992.

BR unveils urban express

British Rail unveiled its new provincial express, 11 months and 11 days after it was due to enter service. Teething troubles, including the discovery of metal fatigue in the body, caused repeated delays in delivery.

The express is intended to revolutionise cross-country and inter-urban travel on BR's provincial passenger network by replacing decrepit 30-year-old rolling-stock with 90-mile-per hour air-conditioned luxury. The trains, should cut journey times and improve comfort and reliability on train services in the regions. They will also release other trains for use on other hard-pressed services. A total of 447 vehicles are being built at a cost of about £200m.

Japanese to invest in UCL

Eisai, the Japanese pharmaceutical company, is to invest £50m over the next 15 years to establish and run a neurosciences research centre at University College, London (UCL).

Eisai will pay £12m immediately to build and equip the laboratory on the university campus in central London and has made a long-term commitment to finance the centre for at least 15 years. It is planned that the facility will open in late 1992, with an initial staff of 30 researchers recruited from the UK, Europe and Japan.

Eisai is the second Japanese pharmaceutical company to establish a research centre in the UK, as part of a global expansion strategy. The first, Yamanouchi, will open a smaller laboratory in Oxford next week.

Indian vehicle agreement ends

Indian vehicle maker Mahindra and Mahindra has terminated its distribution agreement with Motor Industry Investments, its UK concessionaire which is now in administrative receivership.

A Mahindra spokesesman said that the 75 UK dealers who have franchises for its tough, Jeep-lookalike four wheel drive vehicles will be supported by the manufacturer. The spokesman said urgent arrangements were being made to ensure the continued supply of vehicles and parts, and the maintenance of warranties.

Mahindra is a large, long-established manufacturer whose vehicles are in widespread by a number of armed forces as well as private buyers.

It won the concession to bring its vehicles to the UK in time to unveil them at the UK's Motorfair last autumn. About 300 are understood to have been sold since supplies started reaching dealers in April.

SNL seeks power review

Scottish Nuclear (SNL), the state-owned company that operates Scotland's three nuclear power stations, is to seek cheaper contracts with British Nuclear Fuels (BNFL) for treatment of spent fuel. It also wants to find a less expensive way of decommissioning its plants.

Lawson takes consultancy job

Nigel Lawson, the former Chancellor, has been appointed chairman of the London-based Central Europe Trust, a consultancy which has been set up to assist in the economic restructuring of central Europe.

His appointment coincides with a restructuring of the company, which had traded previously as Central Europe Investments.

Lawson: takes chairmanship

Weedkillers needn't be ladykillers.

As any conservationist will tell you, weeds aren't the only things that weedkillers kill.

Because more often than not, weedkillers are made of a concentrate which has to be mixed with water. And the resulting mixture has a nasty habit of getting washed into lakes and streams.

Or being blown off target onto innocent victims like birds and insects.

The sad result is a lot of dead wildlife, much of which would have done a great deal to improve the environment.

Ladybirds for example are a major consumer of aphids throughout the world.

For literally millions of harmless living things therefore, a new oil which BP has developed is a lifesaver.

Added to existing products at formulation stage, it ensures that weedkillers can be sprayed more accurately. And it makes certain that once sprayed, they stick only to the intended victim.

All of which means that the ladybird can go on ridding us of aphids in exactly the way that nature intended.

Whilst weedkillers will only destroy the things they were designed to destroy.

Helping to conserve nature is one of the things BP is doing today, for all our tomorrows.

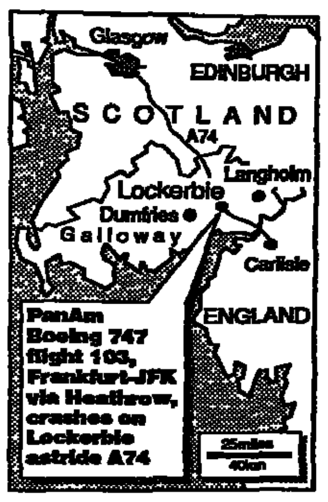
BP

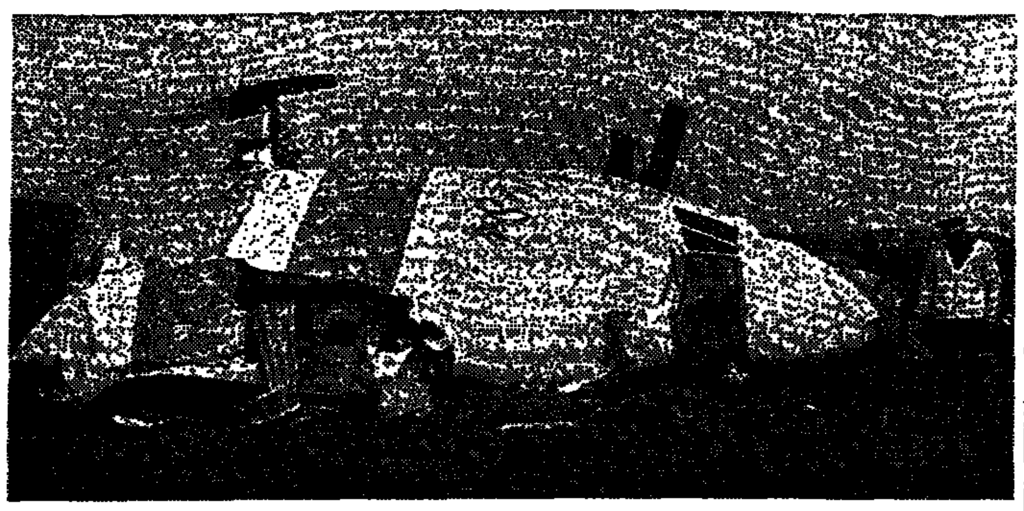
For all our tomorrows.

UK NEWS

Lockerbie: lessons for the future

Paul Betts considers the long awaited report on Pan Am Flight 103





Grim lesson: The Lockerbie disaster of 1988 focused world attention on combating terrorist attacks in the air

Bomb-proof aircraft will never be built. But the official report into the Lockerbie air disaster argues that it should be possible to improve the structure of an airliner to enable it to land after a major explosion on board.

The long awaited reported by the UK Air Accidents Investigation Branch (AAIB), published by the Department of Transport yesterday, also calls on government airworthiness authorities and aircraft manufacturers to study new ways to make aircraft more capable of surviving an explosion like the bombing of Pan Am Flight 103 over Lockerbie in Scotland two years ago.

The meticulous investigation, by far the biggest conducted by the AAIB, has led to a much better sive understanding of the process of a bomb exploding on board. The AAIB investigators have suggested ways in which the effects of a Lockerbie-type explosion might be limited, both by changes to aircraft design and by modifying existing aircraft.

The AAIB stresses that its suggestions are intended to stimulate thought and discussion and to serve as a catalyst. But it nonetheless makes some important proposals which could lead to changes in the design of baggage containers and the lower hull section of aircraft.

The Pan Am Boeing 747 jumbo jet was destroyed within two to three seconds by a bomb in the forward cargo hold. The explosion blew a large hole in the fuselage and shattered the main cabin floor. Large cracks spread as pressurised air blew out of the rupture. Baggage and freight fell out of the fuselage and damaged the tailplane.

The combined effect of direct and indirect explosive forces destroyed the structure of the forward fuselage. The nose and flight deck area separated from the rest of the airframe, and most of the rest of the aircraft disintegrated while it crashed nearly vertically from 19,000 to 9,000ft.

To limit structural damage by a bomb, the report recommends a mixed approach involving containment, venting and energy absorption using a number of "defence layers". The investigators say pure containment of the explosion would not be viable.

"Any unsuccessful attempt to contain the explosive will probably produce greater devastation than the original (uncontained) explosion since all the explosive energy would merely be stored until the containment finally ruptured," the report suggests.

However, partial containment would enable the explosive energy to be channelled, thus avoiding uncontrolled venting and limiting indirect damage caused by the blast.

The AAIB scheme would entail the use of blow-out panels in the aircraft skin which would separate easily to vent an explosion without provoking a larger rupture. To limit the spread of shock waves through the internal cavities in the hull, gaps between the vent apertures would be closed, while energy-absorbing lining material would be used inside all the cavities in the lower hull. A new reinforced liner would be fitted to the roof and floor of the cargo bay to provide further containment.

The report notes that existing baggage containers are of crude construction. It suggests two approaches, both using composite materials. One involves a rigid container, relying on a combination of energy absorption and burst strength to prevent uncontrolled breakout of explosive energy. The other is to use a flexible container, rigid enough for normal use but flexible enough to allow gross deformation of shape without rupture.

The AAIB investigators also suggest applying to commercial airliners, wherever possible, techniques used on military aircraft. This could involve a failsafe backup system for particular hardware components to minimise the risk of one area of damage producing major disruption.

The report says new "fly by wire" computer flight control systems offer considerable potential in this field. But the same backup and distributed approach should be used for electronic and other equipment, which tends to be concentrated into a few equipment centres.

The other important recommendations involve improvements to flight recorders to keep them working after a power failure. The investigators emphasise the importance of the final milliseconds of data contained in the aircraft's digital flight data recorder to help determine whether an accident was due to an explosive device or other catastrophic failure.

The investigators also recommend a study funded by the Department of Transport to devise methods of recording violent cabin pressure pulses.

Both aircraft manufacturers and other aviation bodies applauded yesterday the AAIB's thorough technical investigation of the Lockerbie disaster. But they all agreed that there will never be a bomb-proof aircraft.

"We are never going to get an aircraft so strong that it could withstand an explosion of Lockerbie proportions. But we can perhaps design aircraft to withstand smaller explosions so that the aircraft can fly on and land safely," a UK Civil Aviation Authority spokesman said yesterday, adding it would represent " a formidable task".

For its part, Boeing, the manufacturer of the 747 jumbo, said yesterday the US group would review the report's recommendations on building airliners capable of withstanding the explosion of a bomb on board. But a Boeing official added that the only sure way of preventing a bomb destroying an aircraft was to stop it getting on board.

Government support sought by film sector

By Raymond Snoddy

FILM producer and director, Sir Richard Attenborough, yesterday led a film industry delegation to the Department of Trade and Industry in a further attempt to try to persuade the Government to help the British film industry.

"We are bigger than the motor car industry in terms of bringing earnings into this country yet we have had no concessions or recognition of this fact," Sir Richard said yesterday before leaving for a meeting with Lord Hesketh, the minister now responsible for the film industry.

"The new film minister Lord Hesketh is the eleventh since Mrs Thatcher became Prime Minister which makes it a little difficult in terms of continuity," Sir Richard said.

The producer of Gandhi speaking at the launch for the annual report of British Screen Advisory Council, also told the story of the film minister who said he never went to the cinema because it gave him a headache and who also didn't own a video recorder.

Other members of the BSAC said the comment was made by Mr Eric Forth, the last minister now moved to the Department of Employment.

Sir Richard is pushing for Government financial support for the British Screen Advisory Council and for the setting up of London and regional film commissions to encourage film production.

In London, police and local authority permission to film is often refused because of possible disruption to traffic and is an added frustration. "Any organisation that is capable of preventing you making a film in London takes that opportunity," Sir Richard said.

The British Screen Advisory Council is also concerned that rising rents in London's Soho, the heart of the film and independent television production industry, may drive people out and lead to a fragmentation of the "lunching and dining culture" there.

Discussions are under way to find a new location where the film industry can set up, with the Kings Cross area being suggested as an option.

A tranquil surface masks changes threatening the quality of life, says the report

Myth of a rural idyll belies harsh realities of country life

By Alan Pike, Social Affairs Correspondent

RURAL ENGLAND'S tranquil surface hides great changes and tensions which threaten vulnerable groups, a two-year-long Church of England study concluded yesterday.

The myth of the rural idyll, says the report, "leads us to feed fantasies and avoid facing up to what is really happening."

The report – Faith of the Countryside – is a companion exercise to Faith in the City, the church's 1985 study of the inner-cities which was regarded as sharply anti-Government by some Conservative MPs. The rural report also questions the impact of many Government policies.

Changes brought about by the market economy, it suggests, have curtailed the choices of the poor, the weak and the vulnerable. Winding down the public sector had "many would argue, critically jeopardised" the idea of a safety net for poorer members of society.

Faith in the Countryside questions the consequences of the privatisation of rural public transport and changes in education, health and welfare provision as they have affected the less well-off. It expresses concern about the likely long-term cost to rural consumers of water and electricity privatisation.

The report says it is convinced by the arguments of a study carried out for the Department of the Environment in the mid-1980s which indicated that 25 per cent of rural households were living in or near poverty.

Many of the report's recommendations are aimed at the Government, with housing one of the most dominant issues. To overcome the gap caused through the sale of council housing it wants the Government to finance the Housing Corporation to provide 5,000 new rural homes a year by 1992.

The inability of the corporation to fund even a token rural housing programme – against an estimated need of 25,000 units a year – is, says the report, a disgrace.

Among the report's many other recommendations is a call to strengthen rural economies through better integration of planning and development programmes.

Faith in the Countryside Churchman Publishing £12.50

Christian campaign on world debt

By Alan Pike, Social Affairs Correspondent

BANKS are being urged to cancel debts of the poorest Third World countries in a campaign by Christian Aid, the British Council of Churches international relief charity.

Rising oil prices because of the Gulf crisis, the charity will argue in a campaign to be launched today, are adding to the pressures on Third World nations.

Christian Aid says that tax relief claimed from the Government as an insurance against bad debts in Third World countries in 1989 could be worth £1.5bn to Britain's four leading high-street banks. But only a tiny minority of debts had been reduced.

"The banks are being subsidised by tax payers not for cancelling debt but merely for assuming in their accounts that it will not be repaid." Christian Aid says. It believes tax relief should be granted only if debts are cancelled.

The charity is urging its supporters to meet bank managers at local level this autumn and press for the cancellation of debt. This action will be supported by an advertising campaign giving examples of the impact of debt on people in Third World countries.

MANAGEMENT

Anglo-German takeover

Giving each other a lift

Charles Leadbeater on the mutual benefits gained by Lancer Boss and its subsidiary

Anton Pischl was dressed up for the day in a traditional Bavarian suit. The chief executive of the Steinbock-Boss forklift truck factory at Moosburg near Munich was preparing to greet a contingent of retired workers.

Tradition is a powerful force at the company, which was founded as Steinbock in 1922 and in 1948 became one of Europe's first manufacturers of electric forklift trucks. It is Moosburg's largest employer; some of its 1,250 workers are third generation.

So it came as something of a shock to the town when in 1983 Steinbock was acquired by Lancer Boss, a British forklift truck manufacturer – a relative upstart in the industry, founded by Sir Neville Bowman Shaw in 1957.

Compared with its position seven years ago, when it was near to bankruptcy, Steinbock now seems to be flourishing.

However, its improved finances, expanded product range and increased employment in the past few years have only been achieved after a clash of culture; the two companies have had to reconcile very different approaches to training, industrial relations, procurement and marketing.

A strong logic existed for the Lancer Boss takeover. By the early 1980s the recession had exacerbated the overcapacity in the forklift truck industry. Steinbock was falling well behind its larger West German competitors, Jungheinrich and Linde.

In 1983 it was in turmoil. By the summer shutdown, Steinbock was living with its third owner in a year. The management was attempting to push through a cost-saving plan which involved redundancies. But their efforts to turn the company round were clouded by financial uncertainty; its banks were growing increasingly restless.

The bankers were attempting to organise a domestic solution by involving either Jungheinrich or Linde to save Steinbock. Pischl was not happy with that prospect. "They would have kept what they wanted and got rid of the products which competed with theirs," he says.

Lancer Boss, on the other hand, represented a natural partner; there was very little overlap in the two companies' ranges. Lancer Boss specialises in heavier lift trucks weighing more than 3 tonnes. Steinbock is stronger in smaller lift trucks, pedestrian-operated pallet movers, military lift trucks and narrow aisle trucks used in warehouses.

So Steinbock's workforce returned from their 1983 summer holidays to find Lancer Boss their new owner.

Events moved quickly. Lancer Boss sent two experts in manufacturing and financial administration to help the Moosburg company draw up a recovery plan. Meanwhile, Pischl spent much of that autumn at Lancer Boss' headquarters at Leighton Buzzard, in the Midlands.

Language was the first problem. Pischl says: "The manufacturing expert was Scottish. Many of us spoke English because we had learnt it at school, but none of us could understand him."

As it transpired that was of marginal importance. The German managers were not prepared for the ambitious targets which were about to be set.

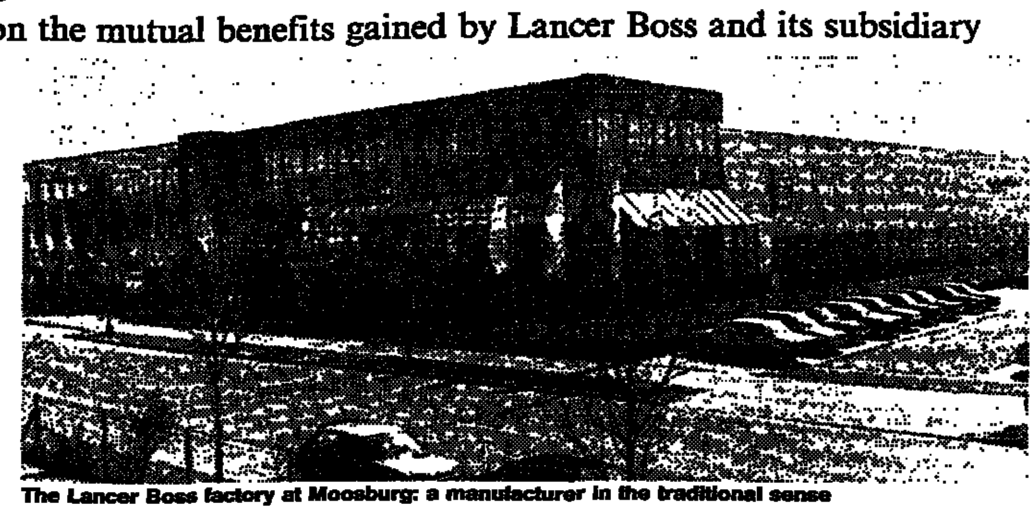
Pischl's team had already drawn up plans for a cut of a quarter in the workforce of about 1,800. Lancer Boss pushed them to go further faster. The British wanted a cut of 50 per cent, including the closure of a factory on the Czechoslovakian border.

Pischl says: "We thought we had got to the bottom line with a cut of 25 per cent. Transferring production from the factory near Czechoslovakia to here where we were already very tight was horrible. The targets were shockingly ambitious."

However, the British also had some learning to do. Making redundancies in West Germany is much more difficult than in the United Kingdom. "Our unions are much stronger, especially the engineering union IG Metall," says Pischl. The average age of the workforce was 45; the older workers were protected by their length of service.

The British managers' found their flexibility to vary working time and raise productivity limited by legislation as well as by union strength embedded in the system of co-determination.

Early on, different approaches to training was an issue. Steinbock-Boss had always had a strong commitment to its apprenticeship scheme which lasted three and half years. As a result of the scheme, 80 per cent of its workforce are certified skilled craftsmen.



The Lancer Boss factory at Moosburg: a manufacturer in the traditional sense

Pischl says: "Getting approval for investment in training was only a problem at the beginning." For this is one area in which the British have learnt from the Germans.

Lancer Boss' training programme was much smaller. That has gradually changed, with the recruitment of more trainees. But Lancer-Boss still trails its West German subsidiary. Steinbock-Boss has about 90 apprentices for a workforce of 1,250; Lancer Boss has about 40 for a workforce of 480.

Different approaches to employees was not the only problem. Steinbock-Boss's dealers and customers also became restive after the takeover because they thought that British engineering companies still laboured under a reputation for poor quality.

This concern came to a head over product development. For a new small lift truck, Lancer Boss wanted Steinbock-Boss to replace Daimler-Benz, its traditional engine supplier, with Perkins' engines from the UK. Pischl explains: "There is still a strong psychological prejudice against British companies in West Germany. The dealers revolted and said they would not be able to sell the truck with an engine made in Britain."

Undeterred Steinbock-Boss pressed ahead. The new truck was one of a string of products launched since 1983 which has renewed customer confidence in Steinbock-Boss. Only one line remains from the previous range. The pace of product development has been doubled. Martin Merkl, the marketing manager, says: "The launch of new products was very important to show the workforce, the dealers and the customers that Lancer Boss was committed to developing the company."

Perhaps the main area that Steinbock-Boss has had to learn from its British parent is in its outlook. It was an insular company, primarily focused on the West German market. Pischl says: "With Lancer-Boss's encouragement we have had to become far more international; now we work through its international sales and distribution network." Sales outside West Germany have grown from about 25 per cent to almost 40 per cent.

Lancer-Boss also pushed the German group to adopt a more international approach to procurement and suppliers, forcing it to reassess whether traditional relationships with West German suppliers made economic sense. In 1983 Steinbock-Boss got all its steel from West German producers. This year 90 per cent of its steel will come from British Steel.

The outcome of this mix of British and German management approaches has been an increase in turnover from DM 134m in 1983 to about DM 340m this year. Employment has risen from a low of 719 after the takeover to 1,250 now.

Turnover per employee is up from DM 186,000 to DM 272,000. A central part of the plan to raise productivity was to hire only young people – 20 to 25 year olds. The workshops were paid on piece rates according to their output and younger workers were more willing and able to work harder.

As financial performance has improved, so Steinbock-Boss has grown more comfortable with its British parent and Lancer-Boss has developed its approach to managing internationally. In 1987 Lancer-Boss added the Spanish plant of the French Fenwick group to its portfolio.

Although sources of tension may be long forgotten there are still some significant differences between the German and British operations which may never be eradicated.

The Moosburg factory is a manufacturing plant in the traditional sense of the word. The managers do not proselytise the virtues of total quality management or sing the praises of just-in-time production. The Moosburg plant manufactures; it takes in a lot of raw materials at one end, and makes them into the lift trucks which leave at the other.

There are large quantities of steel around the factory, waiting to be cleaned, cut and welded. People work on sheet metal machines cutting slabs of steel or welding steel bars to form the mast for the forklift. The electrics for the trucks are made on site, as are printed circuit boards and the rear axles. The main items bought in from outside are engines. Only about 40 per cent of the output by value is bought from subcontractors.

In contrast, the British plant, which is due to be modernised, is primarily an assembly operation.

This difference is not superficial. It reflects different ideas of manufacturing. Steinbock-Boss managers admit there is a strong culture among West German engineers that they should make as much as possible of a product themselves. They want to be engineers and makers of a complete product rather than assemblers and designers. Pride in the skills of their trade is at stake as well as economics.

They have a strong sense of the continuity of the traditions of their craft. Although there are 21 computer numerically-controlled machining centres, as well as robot welding machines, the engineers like to make use of machines and buildings for as long as possible. Tucked away in one corner of the plant is a 16 tonne friction press which first saw action 50 years ago.

This approach is slowly changing, with more components bought in from outside. The aim is that the plant should concentrate on making those components which distinguish the product from those of its competitors; for instance, the mast or the axles are cheaper made inside the plant. But changing the culture and traditions of German engineering may take a long time.

The Lancer Boss takeover provided Steinbock-Boss with a mixture of stability, discipline and ambition. It is a stronger company as a result, with a more international outlook and a modernised product line. Indeed it is the largest manufacturing site within the Lancer-Boss group.

Lancer Boss, too, has learned from the takeover, which helped it to escape the fate of Lansing Bagnall, the other main UK producer. Last year it threw in the towel and was bought by the West German Linde group.

Yet despite its success in Moosburg, Lancer Boss still faces an enormous challenge. The Lansing-Linde group is the predominant European producer, competing with Hyster of the US and the rising challenge of Japanese producers Komatsu, Toyota and Nissan.

Sir Neville has made no secret of his view that Lancer-Boss needs to be larger, with a presence in France or Italy and a turnover of close to £1bn. Moosburg may not be the last continental town to wake with a start to the arrival of Lancer-Boss.

Whingeing won't impress Whitehall

By Simon Holberton

When the Department of Transport circulated proposals to implement EC intentions to require drivers of vehicles with more than nine seats to be specially qualified, everyone was informed – Girl Guides, local authorities, voluntary organisations – except for the Society of Motor Manufacturers and Traders, representing the makers of such vehicles. 'We found out by accident,' one leading car maker commented. "Ford's legislative department heard of the move and told SMMT. Our view could have gone unheard by default."

This was probably the exception to the rule because, as Charles Miller points out in his forthcoming pamphlet on government/industry relations*, Whitehall loves industry associations. Dealing with them amounts to getting that messy business of consultation over and done with in one fell swoop, rather than having to deal with a lot of disparate and competing points of view put to it by various companies.

But although Whitehall apparently likes industry associations, Miller – former civil servant, special ministerial adviser and now a director at the Public Policy Unit – points out that by the time the permanent government asks the outside world for its views, the course of action Government is likely to take has already been decided. The consultative process may alter the details but rarely the thrust of policy.

Miller reckons that the cost of regulation to industry is about £100m a year. Furthermore, he estimates that industry wastes about £40m in its ill-directed attempt to influence ministers and the permanent Government. This usually consists of attempting to gain the ear of an MP, wining and dining ministers and officials at set piece functions like the annual party conferences or Commons dining rooms – the latter wonderfully described by a former public relations man turned Tory MP as selling "an impression of power."

Miller says that industry's failure to understand the policy formation process and Whitehall's reluctance to open its workings to outside scrutiny are the two things mainly responsible for the current unsatisfactory state of affairs.

Whitehall trains fast-track officials – but only one in a thousand has any experience of industry or commerce – in the analysis and even-handed presentation of conflicting points of view.

Issues are seen in terms of how they will appear on the floor of the Commons. It treats outsiders as partisan – just another view. Whitehall fears contact with any but the so-called representative bodies lest it be thought partial to any one company or individual.

Moreover, Whitehall is comfortable only with presentations which conform to its "house" style – unemotional, rational, aware of the other person's point of view, sensitive to the political difficulties of taking a decision. "Professional whingeing is no good," a former official told Miller.

Many senior businessmen think that by going to the top – the minister or permanent secretary – they will get results. They rarely do. The complaint, letter or submission will flow down to where the preparatory policy work is done – at principal or assistant secretary level. Miller suggests that a lot of angst could be avoided if businesses were to target this level of the bureaucracy.

Miller showed his pamphlet to a current Cabinet minister. The minister, a man associated with the libertarian right, thought they were not too radical. Don't hold your breath: here they are.

Government should publish an explanatory guide to its decision making; the consultation process should be at the beginning of policy determination not towards the end of it; MPs should be given an annual allowance of £30,000 for research assistance; more media correspondents should be accredited to Whitehall; officials should be given more enterprise-based experience; companies should centralise all dealings with government; business should understand government decision-making and not confuse lobbying with lunches.

"The Whitehall Wall: barriers between industry and Government and how to eliminate them," to be published next month by The Bow Group.

ARTS

TELEVISION

One man's mirth . . .

Funny thing, humour. One man's mirth is another man's poison and all that, but who would have thought the funniest spectacle of the week would be Maria Callas singing "I'm just wild about Ari," as personified by Jane Seymour, all meaningful *oeillades* and unsynchronised lip movements, strumming the old Joanner on the yacht of *Onassis – the Richest Man in the World* (ITV)? Well, it was.

This glitzy garbage recounting the horrid things that happen when Greek meets Greek and practically anyone else managed to be both evasive and offensive, simplistic and insinuating, though it provided treasurable moments. Opera fanciers will be startled to learn that the pushy plutocrat's penchant for *prime donne* began in Buenos Aires with Claudia Muzio – hilariously portrayed as a tangoing glamour-puss swooningly seduced, in all senses, into plugging entrepreneurial Ari's pink cigarettes. Clichés abounded: father-son tensions (Anthony Quinn sensibly dropped dead as early as his contract allowed), snubbed parvenus breaking into society, the rich discovering they can't buy happiness, a singer flinging her scores into the sea with a cry of "I'm free!" and ludicrous international casting. All the Greeks conversed in foreign-accented American except for Tina Livanos whose miminy-piminy English tones bespoke effete classiness. Mystifyingly, Callas' husband spoke perfect English in one scene and excitable Eyetie Bronx in the next. This shoddily packaged mid-Atlantic pap was directed by Warris Hussein.

Official comedy paled in comparison, especially ITV's *The Piglet File*. This spoof MI5 series wastes the comic gifts of Nicholas Lyndhurst and Serena Evans in an ambling tale of college lecturer pressed into Intelligence (ho ho!) and caught up with gormless agents and defecting professors. *Drop the Dead Donkey* (Channel 4) has settled into cosy predictability, using old jokes, feeble storylines and distorted characterisation in its complacent feint at TV journalism. BBC1's Screen One on Sunday was comedy too, of a sort. *Frankenstein's Baby* was heavy with promise as a young couple swopped sexual roles thanks to epoch-making surgical wizardry, but the play proved a false pregnancy. Nigel Planer and Kate Buffery as the trendy architect who conceives and the career-motivated girl-friend now turned bread-winner made neat but expected comic points. The piece suffered from author Emma Tennant's failure (crucial when the basic postulation hovers on the edge of fantasy) to define a consistent reality. Not to mention a lack of jokes once the plot had been set out. Robert Bierman directed with immense visual style.

On Fridays *Clive Anderson Talks Back* on Channel 4 and shows how rot sets in when even a natural wit is faced with the need for gags and set pieces. Anderson's quick with the old repartee, nimble-minded and neatly parrying, as shown in his interview with an amiable Jackie Collins. His stand-up jokes were conventional. Worst of all was Ben Elton's Saddam Hussein take-off. Ostensibly lampooning the Iraqi leader in terms of a northern comic, it was a slice of caricature Arabism; as if a valid satire on militant Zionism had turned into a gross anti-Jewish caricature. The taste it left was all the nastier for BBC2's *Late Show* on Thursday, when the American-educated Lebanese-born Edward Said went into European images of the Arab world and western misconceptions of Arab nationalism, tinged with our old impressions of exotic orientalism. What he would think of the Elton brand of cheapness God (whichever one) only knows.

Funny thing, war (to quote *Beyond the Fringe*). The mere threat of the Gulf conflict has united opinion astonishingly. An unimpeachable *moral*, if not political, case could be made for the Falklands intervention, but shrill railing and the thump of breast-beating were heard throughout the land at the time. Now Hussein, of late a valued ally and trading partner, is screeched at in the tabloids as the Butcher of Baghdad. The principal aberration thrown up so far by the general bellicosity is the pompously pious doubt about patriotic songs at the Last Night of the Proms expressed in a London tabloid by conductor Mark Elder, and his equally pompous dismissal by the BBC – an example of the earnest colliding with the humourless. The BBC news announced his replacement by the conductor of the BBC Symphony Orchestra whom Martyn Lewis was disinclined or unable to name.

The refusal to dramatise great events is of course to be applauded, but the disadvantage of the deadpan approach was illustrated by the latest of ITV's *Cities at War* which dealt with the 900 days of Leningrad's siege. The only criticism of this harrowingly powerful compilation of interviews and old film was the dry, factual drone of the narration which at times reduced the saga to the level of a lantern-slide lecture.

Not that the facts needed much embellishment: the million deaths (unofficial tally), the corpses casually disregarded where they fell in the street, the insistence on a normal life when people were too weak to survive the walk to work.

The city that suffered ten times the fatalities of Hiroshima had prepared itself by watching London survive "like pupils waiting for an examination." The test that followed was beyond their grimmest fears.

I wonder what Mark Elder would have made of Channel 4's *Equinox* devoted to the Spitfire. He probably would have approved since a persistently downbeat attitude emphasised the relative inefficiency of the British production line, the loss of valuable time in the aircraft's manufacture, the plodding individualism behind its concept. An interesting note: the Spitfire's creator originally wanted the plane to be called a Shrew. As Thursday's *Survival* (ITV) showed, rodents are by no means inappropriate models for murderous pugnacity, not the American killer mouse here portrayed anyway. Despite promises that we would hear it howl like a wolf, the ferocious little creature did no more, aurally speaking, than throw back its head and emit an ultra-sonic squeak which had to be slowed down for human ears to catch. The out-of-sync mouth movements recalled Jane Seymour as Maria Callas.

Kate Buffery and Nigel Planer in 'Frankenstein's Baby'

No killer mice in *Naked Under Capricorn* though the beautifully photographed tosh managed quite a range of animals in its Australian-travelogue visual accompaniment to a saga about clean-cut young Englishman, nursed in the bosom of the Aborigines, succumbing to the temptations concomitant with success in pre-First World War Oz. Nigel Havers is impossibly goody-goody as the Brit who champions the underdogs insidiously besieged by the values of materialism ("Rich? A legend? *Me?*"). Still, it's a change to see an Australian show which has anything good to say about the old country, and if Havers' pious Boys' Own attitudinising gets too much there's the chance to renew acquaintance with two wonderful, if here underused, Australian actors: Noni Hazlehurst, vibrantly remembered from a short-lived experiment in political cabaret in London half a dozen years ago, and David Gulpilil, the Aboriginal actor who played the boy in Nicholas Roeg's *Walkabout*. The rest is twaddle.

A disappointing seepage of twaddle also where least expected. Wednesday's drama offering on BBC1 emanated from the stable that recently gave us an imaginative reconstruction of the Julia Wallace murder. *Available Light* evinced the same lingering preciosity in a cross between *The Draughtsman's Contract* and Angela Carter Gothic. Improbable palatial mansion, reclusive artist, mysteriously vanished mistress, visitors who are not quite what they seem. Ravishing chiaroscuro, negligible tension.

The same could be said for Sunday's *South Bank Show*. After its whopping plug for George Michael's new release last week, the SBS in its new function of marketing and promotions did a whacking PR job on Peter Ackroyd's biography of Dickens. A more than usually raffish Bragg interviewed Ackroyd; Ackroyd interviewed sundry Dickensian characters; TS Eliot and Oscar Wilde (Nikolas Grace, looking like Virginia Woolf) were of the company; John Sessions did Dickens doing Dickens. The whole multi-layered jumble's sumptuous production values failed to keep irritation at bay. Every so often hope would dawn when the inimitable Sessions looked as if he'd go OTT as Dickens giving his dramatic readings.

Martin Hoyle

Turandot

COVENT GARDEN

The 1990-91 Royal Opera season is launched with a hideous new poster (featuring a bearded bloke with his mouth wide open, not looking like any of the male singers or characters in the opening operas on the schedule – who he?), and a stratospheric new top price for tickets (£101 in the Grand Tier, more on Domingo and Carreras nights). The good news is that the new design for the programme covers is handsome, a considerable improvement; and that Monday's performance of *Turandot* (dedicated, with ideal appositeness, to the memory of Eva Turner) was splendid – a proud season-opener delivered in grand, glowing style.

To Massenet-lovers it is, of course, a cruel disappointment that the new *Don Quichotte* had to be cancelled. But if that permitted the revival of Andrei Serban's 1984 *Turandot* production with full resources of time and care, the compensations are immense. This remains one of the most finely imagined and confidently realised London stagings of any opera in recent decades. The chosen style – Chinese opera married to Italian – is not just spectacular, full of resonantly memorable images and details, but makes something new-minted of Puccini's monstrous, brilliantly worked operatic conception. This *Turandot* is entertainment on the highest level, and something more than that.

It is also a great boon that the *Don Quichotte* conductor allowed himself to be transferred to *Turandot* – for he is Colin Davis, the first conductor of this production, and he returns to it in masterly form, magnificently fresh and warm of spirit. This was, I think, the most sheerly beautiful account of the score I have heard in the theatre. It was phrased and spaced with extraordinary amplitude, with a relaxed (but never loose) control of pace and a delicacy in blending timbres that removed all sense of manufacture from the lacquered sonorities. It is no back-handed compliment to Davis to say that this performance achieved its ideal not in the obvious places, but in the Act 1 choruses and Act 2 reveries of the three ministers (superbly taken by Simon Keenlyside, Robin Leggate, and Francis Egerton): magical fantasy pierced with strange poignancy.

Three Turandots and three Calafs are featured during the run of the revival. On opening night we had Gwyneth Jones back in the title role, more electrifyingly intense and "personal" than ever, and also more powerful (those vertiginous vocal peaks assaulted with amazing, and at times frankly ear-rending, physical force). New to the hero was the Russian Vladimir Popov, who strides the stage in a manner it would be polite to call old-fashioned; but he does so body and soul, and his tenor, not exactly a subtle or always well-tuned instrument, rings out with disarming fervour.

Alongside such solid professionals as Robert Lloyd (Timur), John Dobson (Emperor), and Bruno Caproni (Mandarin), there was another important newcomer, the young Italian Lucia Mazzaria. This is a voice of immense Puccinian potential, a full, vibrant lyric soprano with thrilling hints of dramatic metal (still some way from realisation); she uses it to show us the most full-blooded Liù this production has yet accommodated.

Max Loppert

Dame Eva Turner singing Turandot in 1927

Royal Concertgebouw

ALBERT HALL/RADIO 3

The Promenade audience does not know how lucky it is. The weekend before last I tried to see Monday night's concert by Riccardo Chailly and the Royal Concertgebouw Orchestra at their home in Amsterdam and was disappointed to find unexpectedly high prices and a queue for returns. In London seats are a fraction of the cost and one could still buy tickets at the door. The hall was not even full.

The programme opened with the first complete performance in the UK of *Rendering* by Schubert/Berio, though that should not have put anybody off. This is the work in which Berio attempts to fashion a symphony from sketches left by Schubert at his death. It opens innocuously enough with Schubert's own beginning and then dissolves gently into a dream-world of Berio's own invention, made up of occluded textures and the ghostly tinking of the celesta.

The idea is that the original sketches are filled out as fully as they can be, with Berio himself providing the "connective tissue". As Schubert's music is concerned with melody and regular rhythmic patterns, while Berio's as a matter of course has little time for either, it follows that the result is a something of a mélange. It certainly is not a real symphony. But Berio has produced an attractive piece and one far more effective than, say, the recent pastiche Beethoven's Tenth.

After the interval Chailly offered a well-chosen companion piece, also with a debt to Schubert, in Mahler's *Das Lied von der Erde*. This is true Concertgebouw territory and the playing attained a generally high standard of technical precision. Perhaps with the exquisite Chinese poetry as his starting-point, Chailly's reading of the score was remarkably pristine and delicate, lightweight, bright-eyed, every note crystalline in its clarity, all a world away from the deep personal angst of a conductor like Walter or Bernstein.

It is clear he wants you to hear everything in this score and that includes the singers (a rare virtue among conductors). To Chailly's great credit there were few moments when the soloists were unable to dominate the ensemble, even in the tenor songs, and it was unfortunate that from my seat Gösta Winbergh was almost completely hidden from view and, therefore, audibility. A double regret, as he seemed to be making a very sensitive job of his songs. To the mezzo solos Jard van Nes brought a voice of the ideal weight and warm beauty. Each of her songs was thoughtfully inflected and in the final "Abschied" she wisely tried to calm Chailly into following at her pace. With her deeply-felt singing the ending has rarely sounded more perfect and yet even there one was left with the lingering feeling that the conductor really has quite another view of the composer.

Richard Fairman

Of fakes, fakers and throwaway cultures

Federico Zeri is an art-historian and one of Italy's intellectual and scholarly first-eleven. His book *Behind the Image: The Art of Reading Paintings* (Heinemann £25, 272 pages) is, in Anglo-Saxon eyes, a strikingly immodest performance. It is a transcript of five rambling "conversations" or monologues, delivered before a university audience in Milan, in which Zeri quotes no sources and barely acknowledges the work of a single other scholar. Yet once you get over the oddity of the presentation, the result is thoroughly exhilarating.

In their ripe old age, art-historians have a tendency to dwell on what we have lost. Zeri is no exception. He reminds us that Michelangelo's Sistine Chapel frescoes destroyed a cycle painted by Perugino and Pope Julius II's commission to Bramante for the new St Peter's meant flattening the basilica of Constantine and Charlemagne. He suggests that Bramante's finest work might have been the desserts he sculpted for papal parties – and no doubt described as *bomba di basilica*.

Zeri cannot write about the throwaway culture of the Renaissance without striking a note of disapproval at such orgies of destruction. The Duke of Berry had fabulously embellished tableware, which we can see in the famous manuscript, "Les Trè Riche Heures." He had it melted down "without batting an eyelid" whenever he needed cash. Months of work went into costumes worn by the Sforzas and Viscontis and yet they were apparently worn only once or twice before they were burnt to recover the gold and silver thread. Sumptuous tapestry sets suffered the same fate or were cut up to make saddlecloths; that is why there are so many records of tapestries yet so few survive.

Such radical recycling, Renaissance-style, makes for a striking image. And yet it is just at a point like this that I need a footnote or two, perhaps a contemporary reference to the duke's doublet blazing merrily on the brazier. In the oasis towns of Bokhara and Samarkand, costly clothing was also extremely important and robes of rainbow-coloured *ikat* silk were handed out by rulers as rewards for service. But then they were passed down the social scale, growing ever more tattered. Surely the same was true in Renaissance Europe? In England, I am informed that there are no references to burn-ins in the royal wardrobe. Instead, bundles of clothes went off to actors' troupes. No doubt it added to the thrill of a first night at The Globe, to see who was wearing whose hand-me-down.

At other points, too, Zeri's skimming conversation can strike an unconvincing note. It really will not do to explain Islam's avoidance of representing the human form as political in origin, a reaction against the statues of the Emperors in Byzantine towns. On the other hand, being the professor's student must be a heady experience, as speculations, assertions, and polemic, swoop and dart like kites. He thinks it absurd to maintain that the Greco-Roman artists did not understand reasoned perspective. Painting, not sculpture, was the leading art form of antiquity. Not one single masterpiece of ancient painting has survived, so judging its quality from vase-paintings or frescoes in Pompei is as misleading as trying to infer Raphael's oeuvre from the art of the majolica painter.

The author has many absorbing tales to tell of fakes and fakers. Often it is he who has unmasked the culprit, as in the case of the 13th-Century Madonna of Sivignano. Zeri's sharp eye and his probing thumbnail eventually unravelled a remarkable plot during the 1940s. It involved a venal local priest, a prominent Roman faker, and a shady character who died just before a fake could be substituted for the painting kept at Sivignano. Thanks to Zeri's researches, the carabinieri were sent to make the panel safe from any future machinations. The villagers pelted the officers of the law with stones, battling to keep their precious Madonna. They lost, and now it hangs in the Museum at Aquila.

Restlessly, Zeri darts from topic to topic. Famous quarrels over attribution are despatched in just a line or two. He does not believe that Simone Martini the Guidoricio da Fogliano on his chequer-board charger in the Palazzo Pubblico of Siena is by Simone Martini. Conversely, he thinks the claim that the Georges de la Tour "Fortune Teller" in the Metropolitan Museum, is manifestly daft. Every page of this book opens up long vistas, of Dark Age kings admiring themselves in Etruscan mirrors, of 19th-century peddlers burning early Italian panel-paintings to melt the gold leaf.

Patricia Morison

Bekova Sisters

QUEEN ELIZABETH HALL

There are three of these Soviet sisters – pianist Eleonora, cellist Alfia, violinist Elvira – who were reunited by the spirit of glasnost in 1989 after eight years of separation during which Eleonora lived in the West. They made their London debut as a trio last December and must have appealed to someone, for their first recording has just appeared and this month they are giving two concerts in the Elizabeth Hall, devoted to the trios of Brahms.

While one must accept that in music marketing nowadays being a born-again Russian is almost as bankable as affecting a Cockney accent and supporting Aston Villa, it is still difficult to understand why the Bekovas have received such promotion. On the evidence of Monday's indifferent performances they are no better and perhaps marginally less secure than a host of young British chamber groups striving for a toehold on the concert ladder. The programme offered very few biographical details except to reveal that Alfia was once a pupil of Rostropovich, and one wonders at the past history of the group.

In this first Brahms programme they played the C minor Piano Trio Op 101, together with the Horn Trio Op 40 and the Clarinet Trio Op 114. (Next week's concert adds the other two piano trios, and introduces a work by Michael Finnissy, *In stiller Nacht*, evidently commissioned to be "after the manner of Brahms.") Throughout Op 101 one waited for musical personality to shine through, for something other than adequate technique and an all too convincing gutty Slavonic sound, but it did not materialise.

The balance was top heavy, wiry violin tones smothering the cello while the piano supported efficiently; the sense of ensemble was hardly instinctive and creative ideas few and far between. In the Horn Trio Richard Watkins at least demonstrated how Brahms's melodies could be phrased; in the clarinet work Emma Johnson worked hard to define some clear musical outlines. But it was a difficult task for both of them and the results were never better than moderate.

Andrew Clements

Constable's masterpiece 'The Lock' to go under the hammer

One of John Constable's greatest masterpieces, "The Lock," the most important work by the artist ever likely to come on the market, will be sold by Sotheby's on November 14.

Estimated to make £10-15 million, "The Lock" is one of Constable's set of six large scenes of the River Stour and is the only one of the six remaining in private hands. It was bought on the first day of its exhibition at the Royal Academy in 1824 for 150 guineas by James Morrison and has passed by family descent to the present owners.

It is in extremely good condition and still in the magnificent original gilt plaster and carved wood frame.

ARTS GUIDE

September 7-13

THEATRE

London

Jeffrey Bernard is Unwell (Apollo). James Bolam is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. A probable, but unspectacular, hit (839 5972).

Burn This (Lyric) Blistering performances from John Malkovich and Juliet Stevenson in Lanford Wilson's play about the mismatch of opposites (437 3686).

As You Like It (Barbican). Transfer from Stratford-upon-Avon, directed by John Caird (638 8891).

Shadowlands (Queen's). Weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes Nigel Hawthorne and Jane Alexander into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb. (734 1166/439 3849).

Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January.

Man of the Moment (Globe) Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667)

Henry IV (Wyndham's). Pirandello's cat's cradle of fantasy and reality, identity and time in a production by Val May the sobriety of which belies its pre-production high jinks. Richard Harris gives a star performance as the nobleman who thinks he is an 11th century king (071 867 1116).

Cirque du Soleil (Jubilee Gardens, South Bank Centre) No animals in this enjoyable fusion of avant-garde and traditional circus which concentrates instead on breathtaking acrobatics. Last week (928 8800)

New York

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town*, *West Side Story* and *Gypsy*. The lustre of the credits is dimmed by the brevity of each piece.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Bunraku. The exquisite artistry of Japan's traditional puppet theatre is not to be missed. Performances of the lengthy historical drama, *Oshu Adachigahara* (*The Adachi Plain in Oshu*) are in two parts, at 11.30am and 4.30pm. The second part can be particularly recommended since it features a tragic death in the snow and is performed by a group of puppeteers led by Living National Treasure Tamao Yoshida. National Theatre (265 7411). Excellent English earphone commentary.

Kabuki. Kabuki-za (541 3131). The highlight of the matinee at 11am is *Ise Ondo (The Dance of Death at Ise)*, based on an actual case of mass murder in the 18th century. The star of the 4.30pm performance is 73 year old Gonjuro, who plays his famous role of a street swaggerer in *Edo Sodachi O Matsuri Sashichi*. Excellent earphone guide in English and English-language programme.

The House of Bernarda Alba. Lorca's tragedy of rural Spanish life is played (in Japanese) by a group of fine Japanese actresses and directed by Nuria Espert. Ginza Saison Theatre (535 0555). Opens Thursday.

Be Here Now. Popular fringe group Daisan Butai in a new show. In Japanese. Bunkamura, Theatre Cocoon (5990 9999).

Phantom of the Opera (in Japanese). This highly successful production is a carbon copy of the London original, with the added advantage that one can ignore the banal lyrics, since they are in Japanese. Shimbashi Enbujoh Theatre (797 9601).

Royal National Theatre: *Richard III* and *King Lear* play in repertory at the Tokyo Globe Theatre as part of the UK 90 Festival. The company is led by Ian McKellen and Brian Cox (360 1151). Opens September 16.

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The politics of railways

POLITICS is the art of the possible; and the accepted wisdom within the Thatcher Government, as set out in the briefing paper for a ministerial seminar on privatising British Rail, now seems to be that it would not be possible to privatise BR for nine or 10 years.

This judgment assumes that BR would be privatised as a whole; it also assumes that that fares on the unprofitable commuter services would not be increased significantly in real terms until the quality of these services had been improved, and that any increase in real fares would be gradual – with the unspoken addendum that real fares should not be increased before the next General Election in 1992. It also assumes that the Government will want to maximise its receipts from the sale of BR and will wish to wait until BR has demonstrated its profitability before marketing its shares.

Policies can change and may have already changed as a result of the seminar. The possible date for privatising BR cited in the briefing paper is not immutable. If the Government believed that it was more desirable to get BR into the private sector than to maximise the return from its sale, privatisation could occur before BR had established a profit record; if the Government believed that economically rational pricing policies and the profitability of BR mattered more than the votes of commuters, it could increase the fares on commuter services and accelerate the date on which these services became profitable.

Political will

Thus the date of privatisation is a matter of political will rather than of commercial forecasts. Privatisation is the best method of promoting the efficiency of BR; if increasing its efficiency were the over-riding objective, the Government might set a date for privatisation in the mid-1990s rather than at the end of the decade. The legislation for privatisation would then fall in the next Parliament.

1995 is the year in which BR is expected to achieve a return of between five per cent and eight per cent in real terms on its InterCity and Railfreight sectors, and to be earning some lower return on its Network SouthEast services around London. In the short term, the rate of increase in BR's profitability is likely to be slowed by the reduction in the rate of economic growth; its profitable off-peak services are those most affected by any check to the growth of personal incomes. Prospects for 1995 now look worse than they did a year ago, but it would be unduly pessimistic to assume already that the results in five years' time would be worse than expected.

Eternal subsidy

Privatisation in 1995 would require selling a company that was earning less than the average for British industry in its three main sectors. The fourth sector, the Provincial services, earns a third of its costs from revenue and is never expected to become profitable; it will have to be subsidised whenever BR is privatised.

Selling a company in this condition would clearly produce less than a sale when the company was earning roughly as much as the average British company; but the property assets, which must be a major attraction to the investor, are unlikely to be worth any less.

One important issue is therefore how much the receipts from privatisation might vary with the date of sale and the profitability of BR. The other big issue, raised in the briefing paper, is whether BR could be sold by sectors and in stages, when they achieve commercial profitability. The disadvantage of this proposal is that the various parts of BR would end up in different ownership, although they use the same tracks and stations and their services interact. The scope for wasting management effort on inter-company conflict makes this option seem unattractive.

Selling BR as a whole seems the best policy; and the main issue is when this sale should be made. The potential gains from privatisation, in removing political interference and giving management the flexibility to develop the business in a commercial way, seem large enough to justify setting the date of sale before BR is earning a commercial profit.

One cheer for electricity

CONFIRMATION of a private sector project to build one of the world's largest gas-fired, combined heat and power stations on Teeside in the North East of England merits one rousing cheer. In the old regime of the electricity supply industry, independent generators were largely frozen out by the endemic overcapacity of the system. In today's more competitive climate, the economics look different. If all goes to plan, the Teeside project will be built in double quick time, at a relatively cheap capital cost, and it will need a fraction of the workforce employed at conventional coal fired stations.

Moreover, it will increase competition in the electricity generating industry. The project adds roughly 3 per cent to present public sector capacity in England and Wales. And although the key to the deal is a long term supply contract with ICI, the bulk of its output will go to four regional electricity distribution companies, which will give them a stick to shake against the established duopoly of National Power and PowerGen.

Too little competition

How far does this undermine the central criticism of electricity privatisation in the UK, which is that as currently conceived it will not introduce enough competition into the system? The answer is, not all that far. For one thing, there are some special features about this project. It is built on a long term gas supply contract signed on what are said to be favourable terms. The entire output of the station has already been sold through agreements which have an initial term of 15 years. ICI, with its enormous electricity requirements, is plainly a very special customer. And although it is significant that the regional electricity companies are keen to support a third force in the generating industry, there are statutory and commercial limits to how far they can go in helping to beef up independent power generators in this way.

Moreover, the competitive balance remains stacked in favour of the established duopoly. Independents who did not have a secure market for their output would face considerable uncertainties. In particular, these would include the risk that the established generators might manipulate the new electricity market, known as the pool, by selling electricity into it at a price that would damage the opposition.

Holding back

It is true that a surprising number of potential newcomers have expressed an interest in the UK electricity generating industry. There is a view that some are only holding back in order to get a clearer view of how the industry settles down after privatisation. But at this stage it seems unlikely that many of these plans will follow the Teeside project off the drawing board. The existing industry should have enough capacity to meet demand until the second half of the decade. And although there will be a need to replace some inefficient and environmentally unfriendly plant before then, National Power and PowerGen have already given notice that they intend to provide most of what is needed in the next few years.

Big companies which could theoretically enter the market, like BP, tend to take the view that electricity generation is a heavily regulated, capital intensive industry in which the scope for making attractive returns are strictly limited. This was always the argument for splitting the industry into more than two generating companies, rather than relying too heavily on newcomers to provide fresh competition.

The probability is that the industry position of the duopoly, which currently amounts to roughly three quarters of the market, will be reduced by a few percentage points in the next few years. The two companies will be obliged to cut their costs and sharpen up their efficiency. All this is to the good. But there is still a sense of opportunity lost in the way that privatisation is being structured. The moment for giving three cheers, rather than just one, will come only when there is a real prospect of enough independent generating capacity to effect the prices paid by general consumers rather than just big industry.

US semiconductor makers are at odds over the industrial policy issue, says **Louise Kehoe**

Divided when the chips are down

When National Semiconductor, one of Silicon Valley's largest semiconductor manufacturers, recently announced plans to slash its workforce by 2,000 and shut down one of its most advanced production lines, it sounded to many like another nail being hammered into the coffin of the US semiconductor industry.

Gloomy prognoses for the US chip industry reflect its declining dominance in the $60bn world semiconductor market. Over the past 15 years, America's share of the world market has slipped from 73 per cent to 36 per cent. Japanese companies took over the lead four years ago.

The trend has highlighted the fundamental question of whether Silicon Valley's famed entrepreneurial model remains viable in a global market which is increasingly dominated by Japan's government-guided electronic juggernauts.

Chip makers have sparked a wide-ranging debate over the need for the US to adopt a government-directed "industrial policy". Within the semiconductor industry most of the largest companies favour government intervention; among smaller companies opinions differ. The "industrial policy" issue has drawn the attention of politicians, economists and academics throughout the US.

In a significant reversal of the free-wheeling, dog-eats-dog ethos of the early days of the industry, several executives from both large and small chip companies have called for the US Government to play a direct role in collaborative efforts to boost their international competitiveness. Nowhere does the argument rage more vehemently, however, than in Silicon Valley, where jobs, profits and pride are at stake.

Yet this high-tech heartland, with its traffic-clogged freeways and endless expansion of industrial and office complexes, does not look like the home of a declining "industry at risk", as the semiconductor industry was called in a report to Congress by the National Advisory Committee on Semiconductors.

'Our foreign competitors are picking off our technology jewels one by one. If we are to be competitive, we must take action'

Too often ignored in grim assessments of the outlook for the industry and in the debate over entrepreneurship versus government-managed collaboration are the rising fortunes of new chip ventures. Many of them are thriving on tough competition and have so far avoided the problems associated with the "first-generation" chip makers founded in the 1960s.

The vitality of Silicon Valley is irrepressible. Close to 100 chip companies, or one new enterprise per square mile, have sprung to life here over the past 10 years. This new wave of chip makers is determined to prove that independent entrepreneurial ventures can not only succeed but also outmanoeuvre the largest electronics companies in the world.

Most are "niche players" which, unlike their predecessors, focus solely upon individual segments of the semiconductor market. Their energy and confidence contrast with the gloomy outlook of some of the largest US chip makers. With revenues ranging from a few million dollars to a quarter of a billion dollars they boast average annual growth rates of about 50 per cent. Over the past decade they have created 25,000 jobs.

The founders of these companies are following in the footsteps of Silicon Valley's semiconductor pioneers, who created the microchip and the companies to build it, but some are highly critical of the "industry establishment" and its efforts to win government support.

"If we (the US) are losing, it is not because our economic system is poor or because companies are not getting government subsidies or because the Japanese are treating us unfairly. We are losing because we are being out-managed," charges Mr T.J. Rodgers, president and founder of Cypress Semiconductor. His seven-year-old Silicon Valley semiconductor company is one of the most promising of the industry's up and comers.

A self-appointed spokesman for "entrepreneurial companies", Mr Rodgers, 38, is a critic of industry elders, whom he labels "a bunch of whiners", and an opponent of a government-led "industrial policy".

Dismissed by some as a publicity seeker, Rodgers has none the less served the semiconductor industry well by demonstrating that "sky is falling" reports of impending doom are grossly exaggerated. When currency fluctuations are excluded, he points out, the US semiconductor industry is holding its own.

But Mr Rodgers does not stop there. He takes strong exception to federal funding for Sematech, the semiconductor industry research consortium set up two years ago, and is scornful of the US Government's efforts to resolve trade disputes with Japan.

"Let the winners win and the losers lose and not have the Government intervene in the game," Mr Rodgers proclaims. His anger has been fired by a series of lawsuits filed by leading US chip producers, which charge Cypress Semiconductor with patent or copyright infringement. Most of the disputes have been settled out of court. "And we've never paid anyone a penny," Mr Rodgers claims. But the bitterness remains.

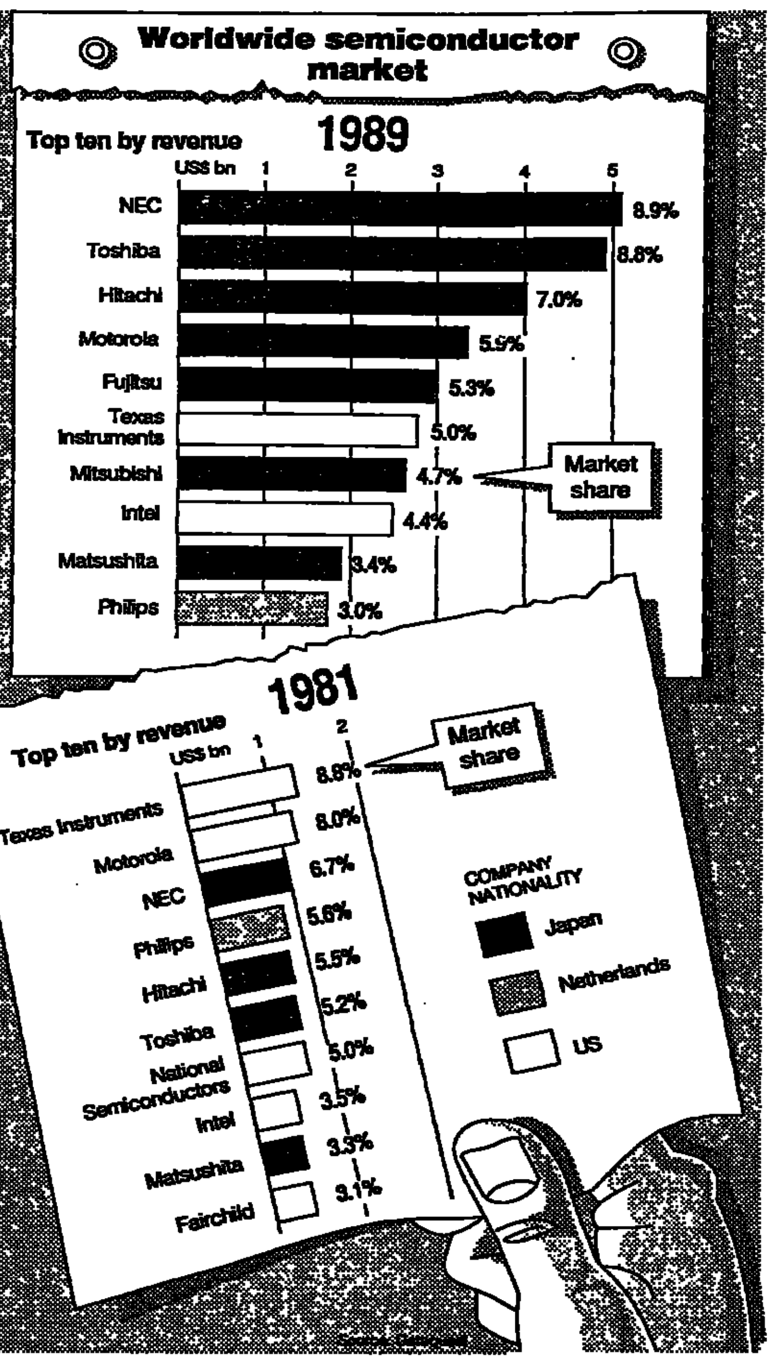
Recently, he has won support from some of his peers in the chip business, the founders of other young semiconductor companies. Five companies, including Cypress and LSI Logic, are the target of the latest patent infringement suit filed by Texas Instruments, the second-largest US semiconductor producer.

The suit has pitted the "old" school against the "new" in the US semiconductor industry .

"TI is a hero of the past, but it has its share of problems right now. It is trying to compete with newer entrepreneurial companies using whatever weapons it can muster," complains Mr Wilfred Corrigan, chairman of LSI Logic, a 10-year-old chip company that has fought its way to the top of the market for "application-specific" circuits (customised for individual users) against stiff Japanese competition.

The suits are "rocks thrown in our path ... tactics to slow us down," says Mr Rodgers, who displays framed copies of the more than 20 lawsuits filed against Cypress Semiconductor on his office wall. He views these legal attacks as part of a concerted effort by established US semiconductor companies to hobble competition from entrepreneurial companies.

"The largest companies in this industry have wrapped themselves in the flag and accused the Japanese of unfair competition," he says. "What they are really trying to achieve is to eliminate competition, both from foreign companies and from domestic entrepreneurial companies."



His favourite target is Sematech, the industry consortium which aims to strengthen the competitiveness of the US chip industry by developing world-leadership chip-makingtechnology. Sematech receives half its annual $200m budget from the Department of Defence.

"It aggravates the hell out of me when my Government takes my tax dollars and subsidises my competitors," Mr Rodgers complains. Sematech is a "rich boys' club" composed of companies looking for subsidies from the Government, he charges.

The consortium's fee structure is "rigged" to favour larger companies, he claims. Only two of Sematech's 14 member companies have annual revenues of less than $1bn, he points out. Sematech members pay a membership fee of 1 per cent of their revenues per year, but there is a minimum fee of $1m and a maximum of $15m. The rules effectively exclude smaller chip makers, Mr Rodgers claims.

"Sematech *is open, just like sun*bathing in San Tropez. As long as you can afford $750 a day for a room, anyone can lie on the beach," he says.

Sematech officials point out that Cypress has been invited to join the consortium and that its members generate more than 80 per cent of the revenues of the US semiconductor industry.

Mr Rodgers is not alone in criticising the high price of Sematech membership, however. While noting that the concept of the consortium is "perhaps vital to the survival of US semiconductor manufacturing", Mr Mike Hackworth, president of Cirrus Logic, another young chip maker, says it is a shame that more companies cannot participate. "It is a lost opportunity," he observes.

Others doubt whether Sematech can succeed in its goal of achieving world leadership in semiconductor manufacturing technology within the next three years. "Sematech is a valiant effort, but it is massively outgunned by Japanese, Korean and European consortia. Sematech will help, but it can't solve all the industry's problems," says Mr Ed Sack of Zilog, a "born-again" semiconductor company that recently gained its independence from Exxon Corporation and plans to go public this year.

Yet even Sematech's toughest critics admire the consortium's efforts to stem the tide of foreign acquisitions of US high-technology companies.

Mr Peter Mills, chief administrative officer of Sematech, warned in recent congressional testimony: "Our foreign competitors are picking off our technology jewels one by one. If we are to be competitive in an industry as critical to our national defence and our national economy as semiconductors, we must take action."

Mr Rodgers agrees: "The Government does need to look at critical technologies and make sure they are not being bought on the cheap by foreign countries. Our national security has much less to do with the export of nuclear triggers than it does with who owns the semiconductor industry."

There is also a broad consensus that the Government needs to be involved in establishing "fair trade" with Japan, although some industry executives are critical of the measures taken to date. These include, in particular, the hard-fought 1986 US-Japan semiconductor trade agreement which introduced stringent anti-dumping controls and mandated an opening of the Japanese chip market to foreign suppliers. Without relinquishing their independent spirit, many new chip entrepreneurs also acknowledge the need for a fundamental change in the relationship between industry and government.

'The laissez-faire approach worked well in the early 20th century. But in today's global economy some central vision is required'

"The laissez-faire, free-market, survival-of-the-fittest approach worked well in the 19th and early 20th century because we lived in an island economy. But in today's global economy some central vision is required," says Mr Hackworth of Cirrus Logic.

"Somebody has got to have an industrial strategy for this country," agrees LSI Logic's Mr Corrigan. "Somebody needs to be saying: 'These are the industries that we want to stimulate. These are the industries that we want to shut down in an organised way.' We have a lot to learn from the Japanese."

As an industry veteran and this year's chairman of the politically influential Semiconductor Industry Association, the industry's lobbying *group, Mr Corrigan is very much* aware, however, that diverging opinions within the semiconductor industry may damage its political power.

"We work best when we speak with one voice," he acknowledges. Amid the babble of dissension that currently engulfs the industry, that voice may be hard to hear. Still, Silicon Valley's chip makers will remain in the forefront of a debate that eventually must engage a broader spectrum of industrialists and politicians in many countries.

OBSERVER

Down the dirty Strand

■ To be honest the Strand, the old street following the line of the Thames linking the City of London with the West End, has seen better days.

It must have been a magical place when the gas lamps glowed and you could have a night out at the theatre, go on to Romano's for dinner and dancing, take a Hansom cab home, and still have change out of half-a-crown

Romano's is now an American bank, which may be, or may not be, progress.

As a regular Strand stroller I regret to report that it has become a tacky street. A lot of fast food is dispensed. The litter flows like a malevolent tide. Vagrants, beggars, and homeless youngsters, crowd at night in shop doorways.

The Savoy hotel is half-way down the Strand. Which is why Herbert Striessnig, the director and general manager, has written to 300 Strand traders asking them to tea there today to re-establish the Strand Traders' Association to smarten up the street.

The association, which was disbanded in 1976, was a benign body which used to keep the street tidy and raise money for homeless charities. High on the new body's list of priorities would be similar help for the homeless.

But the charity Shelter views a clean-up for The Strand as "cruel and inhumane". To quote a spokeswoman. "Sweeping the homeless off the Strand will not solve the problems . . they will simply move on somewhere else".

A private cleaning team working through the night would cost the traders up to £100,000 a year.

All change

■ The Strand has its little local difficulties. But the people who run our railways are trying to re-draw the map of London without even asking us.

British Rail is calling its new station at Ludgate in the City "St Paul's Thameslink", in spite of St Paul's underground station being less than half a mile away.

Not to be outdone London Underground intends to call the re-built Monument station "Bank" – although Bank station already exists not far away.

The City corporation is furious. It invisages confusion and delay for City folk and emergency services, and is opposing "in the strongest possible terms".

But, such is the law, there is probably nothing the City can do to change the railwaymens' minds.

In funds

■ That well-known man about the City of London Stanislas Yassukovich, aged 55, confesses he is thoroughly enjoying himself in a new job.

Besides being chairman of the Securities Association he has been spending two days a week at the Finsbury Avenue office of Henderson Administration as a non-executive director since July. He is helping develop an international dimension for the long-established British fund management house.

Henderson was formed in the last century to manage the money of a Scottish family of that name.

"Internationally Europe is now our prime area of interest", says Yassukovich, who is consultant to the international division. "Everything is happening there". The firm also has a presence in Japan.

Looking to the United States, where he has impressive contacts after his years as chairman of Merrill Lynch Europe and the Middle East, he identifies a demand for London-based global fund management capabilities from US investors.

Yassukovich is leading a busy life with these tasks, and the days he finds for his Cotswolds life, hunting, and playing polo. Yet he is also making time for an industrial job as chairman of Flextech, a company with oil field services, media, and cable television interests. "Industry is a refreshing change for me", he says.

Moves up West

■ The Treasury, a first port of call for any ambitious economist, is expecting telephone calls from the growing number of City gurus the banks can no longer afford.

The main clearing banks are eager to reduce their economics departments. They are likely to be the first casualties of the current slowdown – the one the economists were paid so royally to predict.

Midland is in the throes of a painful cost-cutting drive which will mean the sacrifice of its own forecasting group, under Professor Andrew Bain, in favour of Roger Bootle's gilt-edged team at the bank's investment subsidiary, Midland Montagu.

Bootle has won top place in the Extel survey of investment analysts two years running. Clearly he is not going to join the exodus to the Treasury.

The fact that economists are the first under threat as banks contemplate a recession will not surprise old hands. American banks in the 1970s were famous for their quick-firing of economists in the drive for short-term profitability.

But Steven Bell, economist at Morgan Grenfell, the merchant bank, cannot quite see why the UK banks are getting rid of their teams when demand for economists is still so buoyant.

Clearing banks are used to regarding economists like their ties, he says: "They wouldn't dream of doing anything about them, but they are uncertain of their function".

Pink' un

■ Next Monday The Evening Standard in London is launching a new expanded financial section which will be a minimum of eight pages a day. And it will be printed on pink paper.

Editor John Leese says the new section will enable the paper to improve substantially its coverage of business and financial news from both London and the rest of the world.

He even goes on to describe it as "in effect a daily financial newspaper in its own right."

Well . . . almost.

Taxing

■ A reader writes: "The reference under which the Inland Revenue deals with the PAYE of employees of Prudential Assurance has changed from 991/P4F to 992/AP1F.

"How do I know? The Revenue has sent me 221 letters, each in its own envelope, to tell me."

Why Taiwan is not another Japan

Companies are revising their foreign ambitions as the stock market slides, reports **Peter Wickenden**

For a while at the beginning of this year, it began to seem as if Taiwan was preparing to set out in Japan's footsteps and become a significant international business power. On the back of a soaring stock market and a seemingly buoyant economy, foreign investment was rising impressively, and cash-laden Taiwanese groups made a series of surprise bids for western companies.

No longer. The economy is flagging; the stock market has collapsed; the flow of deals has now slowed to a trickle; and the foreign merchant bankers who flocked to Taiwan over the last two years in the hope of profiting from a surge of foreign acquisitions have either left or find themselves with little to do. The Taiwanese will not, it seems, commence buying up the world this year.

Certainly, thanks to the outflow of capital that began to take off in earnest in 1988, Taiwanese companies have established a higher international profile than they once had. According to the Economics Ministry's Investment Commission, Taiwan's approved outward investment up to July this year totalled a record $833m, an increase in value of 261 per cent over the same period last year. Since smaller projects do not need prior approval and much capital flows offshore through underground channels to evade taxation, officials believe the actual total may be seven to 10 times higher. Some estimates suggest that the outflow of funds reached $10bn last year, and is expected to top $15bn this year.

The vast majority of this foreign investment is accounted for by small, low-technology Taiwanese manufacturers which have been seeking to set up plants in other Asian countries with lower wage levels. Thailand is one example; another is mainland China, where Taiwanese companies are increasingly making indirect investments through Hong Kong based holding companies.

But in deals earlier this year, large Taiwanese groups have purchased western companies – particularly US ones:

- President Enterprises, Taiwan's 12th largest listed company, specialising in processed foods, surprised Wall Street by acquiring Wyndham Foods, the third largest biscuit company in the US, for $335m.
- China Rebar Group, a steel and construction materials company, bought Omni Bank in California for $20m.
- Acer, Taiwan's biggest personal computer maker, paid $100m for Altos, a US computer systems manufacturer.

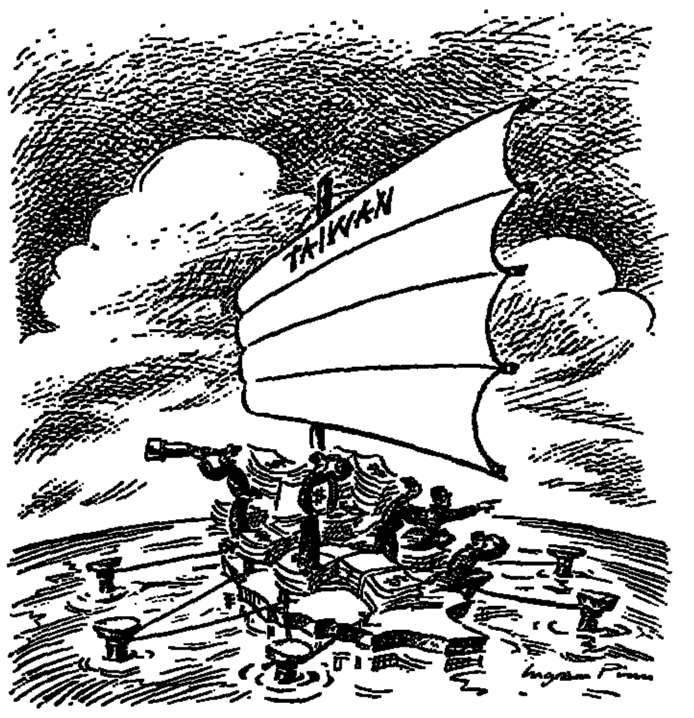
Other large conglomerates such as the Wei Chuan Group, a leader in noodles and processed foods, and Taiwan Glass are said to be considering bid proposals and preparing overseas convertible bond issues to finance them. A number of embattled textiles companies are joining forces to buy an established European or American apparel brandname.

What these companies have in common, apart from a lot of cash, is a desire to go beyond a limited and insular domestic market and to acquire the brand names, technology and distribution networks that will enable them to penetrate foreign markets on their own.

Traditionally, Taiwanese companies have relied on so-called Original Equipment Manufacturing (OEM) arrangements, whereby they make products – tennis racquets, say, or computer screens – for foreign companies which sell them under their own names. However, such business has in recent years been flowing away from Taiwan to lower-wage economies such as China. Having failed to establish their own brand names, Taiwanese companies are now trying to buy out their OEM customers.

The Taiwanese groups' ambitions have given rise to some extravagant predictions. In an officially-commissioned study published in April, the Global Economic Research Institute in Taipei forecast that the island's aggregate outward investment would reach $300bn by the end of this decade.

However, since that study was prepared at the turn of the year, the economy has gone sharply into reverse. A year ago the Government clamped down on unlicensed banks and investment companies, and the central bank began to tighten monetary policy to cool what was clearly an overheating domestic economy. The stock market's reaction was delayed but severe; since peaking in February, it has lost more than 70 per cent and a lot of money that was driving Taiwan's speculative frenzy has flowed to other stock markets, notably Bangkok and Hong Kong.



The collapse has left many Taiwanese companies, as well as individuals, feeling considerably poorer. Bankers say many companies have shelved their plans to acquire marketing and distribution networks, technology, brains and brandnames abroad since their stockmarket valuations began the long descent toward reality. "There will be a lot fewer transactions until the market recovers, and that won't happen for a long time. I'm very pessimistic," says the manager of a US merchant bank in Taipei.

The biggest anti-climax in recent weeks has been a decision by Kennex, one of the world's largest makers of Original Equipment tennis racquets, to abandon a bid for Prince Holdings, the US sports equipment maker. An 80 per cent stake in Prince was subsequently bought by Italy's Benetton family.

There is a suspicion that some Taiwanese companies have already overstretched themselves in their efforts to become multinationals overnight. Mr Stan Shih, chairman of Acer, for example, has already signalled that his company's investment strategy will become more conservative following the US and European buying spree that culminated in the purchase of Altos. Acer is planning to re-finance its loans with a convertible bond issue. Bankers confide that Tuntex, a big contracting and car importing company which in April announced an ambitious scheme to spend $260m on six US hotels and $10bn on a massive real estate development near San Francisco, is now scaling down its ideas.

The truth is that there are structural as well as conjunctural reasons why the Taiwanese companies have yet to make the hoped-for breakthrough into western markets. For one thing, the rules governing financial transactions are scarcely rigorous, and the state of the accounting profession is such that obtaining a reliable picture of even a large listed company's true liabilities is by no means easy.

Moreover, many of the largest companies in a position to make a foreign acquisition are still actively controlled by an ageing generation of family founder-shareholders who have not thought through any global strategy. "Most companies have vague ideas, but there is also a tendency toward making quick decisions," says Mr Sam Chang, a mergers and acquisitions expert with Blue Chip Capital Management.

The result is that companies have sometimes paid too much to get into businesses they do not understand. Take Pacific Electric Wire and Cable, Taiwan's biggest cable-maker. Last year, even though it had no previous experience in banking, Pacific Electric bought eight failing Texan savings and loan institutions for $53m – a deal which raised eyebrows in Texas itself. Likewise, China Rebar had no financial experience to help in the purchase of Omnibank. At least eight other large Taiwanese industrial groups are thought to be planning to start private banks by next year.

To make matters worse, companies committed to strategic investments abroad often find their path obstructed by red tape. Most of the obstacles seem to be left over from the days when the government adopted its "island fortress" attitude and saw outward investment as a form of capital flight that passed competitive advantage to other countries.

Economists say these restrictions have the perverse effect of encouraging capital to flow out through underground channels and also tend to direct investments towards low labour-cost developing countries rather than advanced western economies.

There are also political uncertainties to consider. Much as Taiwan wishfully tries to separate business from politics, its unstable relations with mainland China present a risk to potential investors.

Partly as a result, some Taiwanese companies are now refocussing attention on their home base. Several are looking to buy the Taiwan subsidiaries of foreign companies that have used Taiwan as a cheap manufacturing base. A part of the President Enterprises group last year bought the Taiwan subsidiary of troubled Wang Laboratories. Singer's Taiwan operation was acquired by a local group when the Singer name was bought by a Hong Kong company.

This can only be an interim stage, however. As the Global Economic Research Institute pointed out, Taiwan needs to liberalise both inward and outward investment if it is to continue to be upwardly-mobile and to play its proper role as gateway for world trade with China and Japan.

Report of the Commission on Citizenship

Between the lines, just plain old English tripe

By Joe Rogaly

A load of old tripe, under the rubric "Report of the Commission on Citizenship," was published in London yesterday. The Patron of the Commission, the Right Honourable Bernard Weatherill, is Speaker of Britain's House of Commons, a good public servant, and a decent man, but tripe is tripe: if it is not, then what we have here is codswallop, tommyrot, drivel, twaddle or, as my edition of Roget is helpful enough to suggest, bosh, tosh, piffle, bilge, bunkum, eyewash, scribblings and scratchings, fiddle-faddle, rodomontade and, it must be said, just a touch of moonshine and malarkey.

For what this report is not about is citizenship. It is – how can I put it? – a mélange of the best sense that could be made of an English muddle of well-meaning bits and pieces on the general theme that it would be nice if the term "active citizen" could be developed so that individuals did more for charity, nicer still if schoolchildren learned what citizenship entailed (although difficult since this commission clearly has not a clue as to its true meaning) and best of all if everything could be codified and a permanent successor to the commission established.

I know whereof I speak. Not long ago I sat on a committee inspired by the term "active citizen", a phrase for which I have on occasion fallen myself, and debated with other guests of the National Council for Voluntary Organisations just what citizenship means for the relationship between the great organs of state and unpaid volunteers. The word "citizen" turned out to be an obstacle to understanding. The NCVO produced a useful report, unmarred by the constitutional pretensions implied by the very name of the Speaker's commission; it sensibly limited itself to the effectiveness of the voluntary sector.

What the "Report of the Commission on Citizenship" might have argued is that in Britain we have no citizens. We are all, according to what passes for the constitution, subjects of the Crown, unless under one or another of our xenophobic regulations we are defined as not being citizens. We are subject to the exercise of the Crown Prerogative by ministers and civil servants, which means that the Prime Minister can do more or less as she pleases. For example, one could without difficulty imagine her sending useless helicopters to India on the aid budget in order to favour a manufacturer of helicopters. Since she is the Queen's first minister and backed by an overwhelming whipped majority in the Commons she could get away with it. Mr Weatherill cannot be expected to head a commission whose purport is to indicate that the benches he calls to order are packed with ciphers and that, consequently, he has no clothes. Yet he has none, save perhaps that anachronistic wig. He is, in truth, the chairman of what on good days is a passable talking-shop.

This might be one reason

The report suggests an award to community-minded bodies. A little cream is always welcome on apple pie

why, as the "commission" discovered, Her Majesty's average subject is unaware of what a citizen is. Most Americans are conscious of their constitution. They are taught at school how to be so. It is a characteristic of the US polity that groups of citizens band together to defend this or that right, the existence of which can be demonstrated by reference to a respected written document. Europeans across the Channel have constitutions that are recognisable, and easily taught in schools. We have endless documents, and precedent.

The famous British apathy, in evidence over the past few years in the face of the systematic destruction of the strength of locally-elected councils, will not be cured by merely putting something vaguely called "citizenship" into the national curriculum for our schools. There is no document. There are no rights other than the right to bulldoze the executive's wishes through Parliament. The report's intention is good, but education in an individual's rights and responsibilities vis-à-vis the state will be useless if these can only be asserted, and not relied upon absolutely. Telling schoolchildren that there is a general view that such and such rules apply is not a sufficient means of creating actively conscious citizens.

The report attempts to define citizenship, partly by calling for documents such as the Universal declaration on Human Rights, the European Convention on ditto, and so on – and partly by choosing T.H. Marshall, out of a hatful of writers that begins with Aristotle, first to support the contention that citizenship is "a process" and then to justify the assertion that rights include "social rights." I am of a more austere persuasion, and believe that health, education and even social security are matters of political controversy, not constitutional right. There are many solid arguments that may well prove me wrong, but they are not rehearsed here.

The commission proposes a review and codification of the law relating to the legal rights, duties and entitlements of what some statutes do define as "citizens" of the United Kingdom. There is no harm in this. It will ruin a few evenings and weekends for a few lawyers who probably deserve no better. Another group can proceed with the "sector by sector review of the relationship between the statutory and voluntary bodies" in public service. This could be useful. They have also thrown in policy guidelines by employers, and a parliamentary award to community-minded bodies. A little cream is always welcome on apple pie.

I'll tell you what they haven't done, these great and good folk. They have not thought, not for a second, of how to arrange matters so that ordinary residents of these islands can feel the true pride of citizenship, based on a foundation-stone whose rule governs all, with deference to none. Curious, is it not?

Encouraging Citizenship. Report of the Commission on Citizenship. London. Her Majesty's Stationery Office. £8.

LETTERS

The waste of waste

From Mr Peter Rost MP.

Sir, Waste disposal by landfill faces tougher pollution controls, and costs will indeed rise, as Peter Marsh reminds us ("New broom sweeps through waste disposal industry," September 10). He rightly refers to the need for more incentives to encourage recycling but, regrettably, makes no direct reference to the best alternative option to landfill: refuse combustion as a fuel for energy production.

Shamefully, the UK is bottom of the European league in converting refuse into heat and power (as confirmed to me in a Parliamentary Question on June 18). Only 3 per cent of our waste is used for energy production. France converts 25 per cent, West Germany, Denmark and the Netherlands 30 per cent. Sweden uses 40 per cent, and I understand Switzerland combusts almost 80 per cent of its waste into useful energy.

Apart from avoiding pollution, which results from landfill, waste is too valuable a fuel to dump in holes. Only a fraction of the resulting methane can ever be extracted. Most of it will still leak into the atmosphere – a far more potent greenhouse gas than carbon dioxide.

Much of the refuse burned in European power stations not only produces economic electricity, but also hot water, for district heating. Modern technology of waste combustion more than meets the tougher air pollution control standards. Continued landfilling of 97 per cent of UK waste is unnecessary, undesirable and unacceptable.

Peter Rost,
House of Commons,
Westminster SW1

'Contaminated by social justice'

From Mr Stephan Schattmann.

Sir, According to David Green of the Institute of Economic Affairs (Letters, September 7), the German old-age pensioner whose social security pension is equivalent to 65 per cent of net average earnings – and maintained at that level by successive Social Democratic and Christian Democratic Governments for more than 20 years – is really a victim of the abuse of concentrated political power.

Chancellor Kohl and his fellow ministers are guilty of promoting egalitarian socialist ideas by following policies contaminated by the concept of social justice.

They should all follow the example of Thatcherite Britain, where unfettered market forces determine policy and produce an old-age pension of not much more than 20 per cent of net average earnings. Mr Green's letter reminds me of the economists' supposed dictum: "If reality does not fit my model, too bad for reality."

Stephan Schattmann,
65c Wigmore Street, W1

Western influence in the Gulf

From Mr R.J. Hills.

Sir, Mr Joe Rogaly (Politics Today, September 7) suggests that Mr Kinnock's contribution to the House of Commons debate on the Gulf crisis is diminished because his proposals were based on unsubstantiated fears. Surely that is so, also, with Mr Rogaly's argument that Hussein may yet survive the present blockade.

I doubt if President Hussein takes much notice of the "soothing tones" of his fluent English-speaking ministers. Hussein will also recall other occasions when the West took decisive military action when its interests were threatened.

While I believe US policy in the Gulf has so far been impeccable, its actions in, for example, Panama, Grenada and Nicaragua, have probably been responsible for encouraging Saddam Hussein to believe he could get away with his annexation of Kuwait. Given the support he has had from the West since he has been in power in Iraq, it would be a reasonable assumption for him to make.

We should bear in mind how the average Arab sees western influence in his or her particular country. If the US perceives its interests to lie in propping up pro-western Arab regimes as unattractive as some of the present ones, and, in its perceived role as world policeman, takes offensive action without the support of the UN or of many Arab leaders, we shall end up eventually with no friends at all in the region.

R.J. Hills,
Coronoak, 21 Arkley Lane,
Barnet, Hertfordshire

Foot-slogging over Africa

From Mr Malcolm Fraser.

Sir, It has only just been brought to my attention that a letter you published on July 10, from Mr Adrian Hewitt and Professor H.W. Singer, seriously misconstrues the report of the committee which I chaired, relating to the commodities problems of Africa (FT report, June 19). Let me set the record straight.

The report does not treat diversification in a cavalier fashion. It does not suggest that African countries' futures must rely merely on commodities. It does not ignore export earnings instability. It does express a cautious – but, today, generally accepted – view about the "first window" of the Common Fund.

The report does point to the need for a significant change in attitude on the part of Africa, but also for a significant change in attitude on the part of the international community. Let me explain:

In its introductory chapter the report reviews Africa's mistakes. It also points out that a significant number of these mistakes has been made on the basis of economic advice thought to be good at the time – and which Adrian Hewitt and Hans Singer's letter repeats. The United Nations committee which I chaired was established because past prescriptions had failed, and because the work of Unctad had not been able to achieve a sufficient breakthrough in African development. It formed a part of continuing UN work in the effort to turn round African economies.

It draws attention to the way in which existing commodity production has often been neglected, whether at the level of research or extension or of storage or of transport or of search for markets. With rare exceptions, Africa has lost market share in a very significant way to other developing countries. This has reflected a lack of competitiveness and inefficiencies in the production chain right through to marketing of the final product.

The central thrust of the report is that you cannot jump, smoothly and successfully, from an inefficiently operating commodity sector, where resources had been wasted, where management is highly centralised and grossly inefficient, and where government interference in commercial affairs is intrusive, to the early stages of industrial development. That is why many of the diversification efforts in Africa in the past have failed. (The World Bank, in its report on sub-Saharan Africa, indicates that about half its projects in Africa have failed.)

The committee's central thesis is that African countries must use, effectively and efficiently, the resources they have. We specifically say that this will provide the best, the most efficient and the quickest means towards broader diversification of the economies. Such diversification will not be possible unless the basic economic structure of African economies is correct, and unless the commodity sector within that structure is given adequate priority from production through to marketing.

Mr Hewitt's and Professor Singer's central contention is that we are saying that African countries should be commodity producers alone. That is the very reverse of what the committee recommends. To diversify effectively, you must use what you have efficiently. It is nonsense to say that we seek to commit Africa to a commodity future alone.

On other specific points of criticism, it is nonsense to say that we do not support diversification: a number of recommendations distinctly relate to that. We also make recommendations about debt, and about compensatory financing to redress shortfalls in export earnings. We also take a realistic view of the Common Fund. We recognise that for the time being funds must go into the Second Account, which is for promotion and development purposes.

We were determined, in our report, to be realistic. Whatever the future may hold, the simple fact is that no significant donor would today put funds into a new market stabilisation programme with price-fixing provisions. There is no point in recommending what is incapable of achievement – leaving aside, of course, the question of merit.

Our report was addressed to practical issues and it provides some suggestions about practical solutions. I hope that theoretical economists whose prescriptions over 40 years have failed Africa will not try and cloud the issue too much.

Malcolm Fraser,
44th Floor, ANZ Tower,
55 Collins Street,
Melbourne,
Victoria, Australia

FINANCIAL TIMES
Wednesday September 12 1990

BRITISH ELECTRICITY INDUSTRY

ICI, Enron set for big power plant

By David Thomas, Resources Editor

FINAL CONTRACTS for one of the world's largest gas-fired power stations were signed yesterday by Imperial Chemical Industries of Britain, Enron Power Corporation of the US and four of the UK's regional electricity companies.

The station, which will be sited at ICI's chemicals complex at Teesside in north-east England, is the largest independent power project so far to challenge National Power and PowerGen, Britain's two established generating companies which are due to be sold to the private sector next year.

Houston-based Enron, one of the US's leading natural gas companies, will build and operate the station.

Mr Robert Baldwin, president of Enron Power UK, said the station could offer its customers cheap electricity because its total costs, including capital charges, would be lower than the running costs of other large power stations in the UK.

An Enron affiliate has been given a fixed price contract of £595m ($1.1bn) to build the station. Financing costs will take the total price above £700m ($1.3bn).

By comparison, a large coal-fired power station would probably cost at least £1bn, while the Sizewell nuclear station is forecast to cost more than £2bn.

The Teesside plant is scheduled to run with 66 staff, about a tenth the level of a conventional coal fired station because it avoids the fuel-handling stage of the operation.

ICI will take 257MW of cheap electricity from the station's 1,725MW of capacity to power its chemical plants on Teesside.

ICI will also receive free steam from the station, which is to be a combined heat and power plant. Most of the steam will be used in ICI's nylon plant at the Teesside complex.

Fifteen-year electricity supply contracts have been signed with four regional electricity distribution companies. Midlands Electricity will take 500MW, Northern Electric 400MW, South Wales Electricity 200MW and South Western Electricity 200MW. The regional companies are also due to be privatised.

The four electricity companies will jointly hold a 50 per cent equity stake in the project. Their equity will be in the same proportions as the amount of electricity they will take from the station.

ICI has decided against a stake at this stage, although it has an option to take 10 per cent from Enron's equity when the plant starts in April 1993.

Enron and its partners have signed a long-term gas supply contract with Amoco, British Gas and other members of the group which owns the Everest and Lomond North Sea gas fields.

The group intends to build a gas pipeline into Teesside which will have a capacity of 1.4bn cubic feet a day. The Teesside station will use about a quarter of this gas.

Enron and ICI will also have the right to transport additional gas through the pipeline.

Editorial Comment, Page 16

Israel and Moscow plan aircraft venture

By Hugh Carnegy in Jerusalem

ISRAEL and the Soviet Union have reached initial agreement to produce jointly, with US co-operation, civilian cargo aircraft for world markets using Soviet bodies, American engines and US and Israeli avionics.

If the project comes to fruition, it will provide important access to international customers for the Soviet aircraft industry, which to date has faced obstacles of quality, difficulty of servicing and certification in key markets.

It would also be a dramatic breakthrough in ties between Israel and the Soviet Union. Despite a thaw in relations recently, Moscow has yet to restore full diplomatic links broken off after the 1967 Arab-Israeli war. Commercial relations are minimal.

The joint aircraft plan appears to have top-level support in Moscow. President Mikhail Gorbachev told a Soviet television interviewer it had been discussed during his summit meeting with US President George Bush in Helsinki at the weekend. "This is a large-scale project," he said.

Although the Soviet side has tended to play down the Israeli role in public – Mr Gorbachev did not mention it in his brief remarks – Israeli and US officials say the initiative was taken by Israel early this year. The project envisages the main fitting operation for the aircraft being carried out by Israel Aircraft Industries (IAI), the big state-owned aerospace and military hardware company.

Protocols of intent on the project have been signed by Israel and the Soviet Union, but US involvement is vital to overcome potential technology transfer objections and to secure certification from the Federal Aviation Authority (FAA). The FAA said yesterday that the project was still in the early stages of discussion.

The plan is that IAI would equip Tupolev 204 and Ilyushin 96 aircraft with Pratt and Whitney engines and US and Israeli avionics to produce aircraft aimed primarily at the civilian cargo market, which is expected to show strong demand for some years to come. IAI has well established programmes for converting and re-equipping airliners which are approved by the FAA.

The Israelis say the Soviet aircraft bodies are of high quality. The presence of many highly qualified Soviet immigrant engineers in Israel would help overcome technical and communications problems involved in fitting out the hybrid aircraft.

United Technologies, the parent company of Pratt and Whitney, is understood to have been involved in the project from an early stage. Mr Armand Hammer, the US industrialist with long-standing ties in Moscow, is heading a consortium of prominent investors to raise finance, including Mr Robert Maxwell, the British publisher, Mr Shoul Eisenberg, the Israeli businessman, and Mr Albert Reichman of Canada.

Mr Hammer said he was confident the US authorities would give the go-ahead for the use of US technology. If the project went ahead, the first completed aircraft could be ready in 1995.

Allied warships on alert for showdown

By Lionel Barber in Washington

ALLIED warships in the Gulf are preparing for a showdown with several Iraqi ships poised to try to break the international embargo against Baghdad.

The risk of a confrontation has increased because of reports of potential and actual sanctions busting. Under a newly agreed plan, British or French ships are likely to take the lead in challenging Iraqi vessels.

In Bahrain this week, Western and Arab naval forces agreed to divide the Gulf into specific patrol areas, with Britain assuming the lead role in the northern end of the waterway and the US taking charge further south around the Straits of Hormuz. France's 14 warships are acting independently for the time being, according to Gulf diplomats.

The plan means that British – and possibly French – warships are more likely to intercept Iraqi vessels sailing south, reinforcing the message that the United Nations embargo is a multinational effort, rather than purely a US military operation.

Western officials said that it was important to send an early signal that sanctions busting, particularly by Iraq, will not be tolerated.

Mr Marlin Fitzwater, White House press secretary, said yesterday that "there are a great number of reports of small seepages" in the sanctions. But he insisted that "for the most part we believe they are being met."

Privately, however, US officials concede that the political value of the UN sanctions effort outweighs its economic impact on Iraq.

CIA intelligence estimates are said to be pessimistic about whether the sanctions will bring President Saddam Hussein to his knees in the short term. Smuggling and cheating by other nations are among the biggest threats, but there is also concern about a good Iraqi harvest early next year which would ease food shortages.

The US naval presence in the Gulf regions is overwhelming: 10 US warships are operating in the Persian Gulf, with a further 24 in the Gulf of Oman and the Arabian Sea. Around 70 ships in total from different countries are in the Gulf and Red Sea.

British rules of engagement mean that an Iraqi ship resisting interception would face a blank round of gun-fire as a prelude to boarding. But the US rules of engagement are understood to be harsher, with commanders being allowed to shoot off the propellers of vessels trying to run the blockade.

US Secretary of State James Baker (left) with Soviet Foreign Minister Eduard Shevardnadze (right) in Moscow yesterday before talks on the Gulf and the "2 plus 4" accord

US and Soviet Union discuss long-term peace in Middle East

By Anthony Robinson in Moscow

THE US and Soviet Union yesterday laid the foundations for co-operating in the Middle East on a long-term basis during wide-ranging talks between Mr James Baker, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister.

The two were expected to have further talks on the Middle East tomorrow, reflecting the unprecedented closeness between the superpowers as a result of Moscow's willingness to share a firm line against Iraq's invasion of Kuwait.

However, with Moscow having made clear its preference for a peaceful, diplomatic solution, discussions are believed to have centred on future security and arrangements with other countries in the region.

Western officials noted that a diplomatic solution which left Iraq with a large standing army and nuclear ambitions would lead to greater unease among neighbouring Arab states which have already formed a de facto anti-Iraqi coalition.

The talks, which followed lengthy meetings between the two men at the weekend summit meeting in Helsinki, were part of a heavy diplomatic programme in the Soviet capital as foreign ministers of the four war-time allies – the US, Britain, France and the Soviet Union – put the finishing touches to the German reunification agreement due to be signed in the presence of President Gorbachev today. But the two men also discussed the continuing Start strategic arms reduction negotiations and Vienna talks on conventional arms cuts, plus a wide range of regional issues. The talks included detailed discussion of an election commission for Afghanistan and the Cambodian question as well as developments in Angola and Central America before focusing on Iraq and events in the Gulf.

● Turkey has increased the numbers of its troops along the frontier with Iraq from 60,000 to around 95,000, according to military sources, Jim Bodgener writes in Ankara. Iraq, meanwhile, is understood to have redeployed some 100,000 of the troops until recently stationed on the Iranian frontier to boost the existing five divisions along the Turkish border. Mr Idirim Akbulut, Turkey's Prime Minister, yesterday poured cold water on suggestions that his government was ready to sanction military involvement in the Gulf.

French equipment used to jam Awacs

Continued from Page 1

the Thomson Tiger radar system which is used on the ground by the French army, but could be fitted on Soviet-supplied Ilyshin 76 jetliners.

According to intelligence and other sources familiar with the jamming incidents, the US is concerned about Iraqi ground equipment which - operating alongside other custom-built gear - can be used to confuse the Awacs by overloading its capacity for reading and analysis.

The Boeing Awacs planes amount to an airborne radar system with a command, control and communications centre which can track enemy aircraft or missiles, and direct friendly jets to intercept them or attack them. Its radar eye has a 360-degree view of the horizon, and at operating altitudes can "see" more than 200 miles, simulteneously tracking air and sea targets.

Using electronic counter-measures or "decoys", the French equipment was on several occasions able to flood the air by giving Awacs too much information.

A second concern is that the French equipment - which is light enough to be put on top of an 18-wheel vehicle - is protected against attack from the air by other electronic jamming gear.

French officials have been embarrassed by reports that they have been supplying the US with technical details of the arms which they have supplied to Iraq, notably Aerospatiale's Exocet air-to-sea missile and Matra's R-530 air-to-air missile.

Mr Jean-Pierre Chevèment, French defence minister, said recently: "Between what is said and what is done there is a big difference. I deny that any instruction has been given (to supply details). For the rest, it is a question covered by military secrecy and you will understand that I can say no more."

In Washington, French officials said they were shocked by suggestions that Franco-US cooperation in the Gulf was not full and sincere. One official pointed out that, with French warships alongside US naval forces in the Gulf, it made no sense that Paris would not share information on any subject, including electronic counter-measures.

France is due to receive delivery of the first of four American Awacs from Boeing this October. Boeing said yesterday that it knew no reason why the aircraft should not be delivered on schedule.

Officials point out that the US is not totally reliant on Awacs for aerial superiority. It is also using intelligence satellites which can track the heavy Iraqi troop presence near the Saudi border.

KGB's new role swaps the iron fist for a velvet glove

By Anthony Robinson in Moscow

IN THE old days, most people entered the pre-revolutionary insurance company building at the top end of Moscow's Dzerzhinsky Square through the back entrance. Few came out alive.

If they ever had an insurance policy it was effectively cancelled by the revolution and by Lenin's creation of an extraordinary security commission called the Cheka, the precursor of the KGB.

Yesterday, 70 years and millions of ruined lives later, the men who currently run the KGB opened the carved wooden front doors of their headquarters to the local and international press. The purpose was to launch a KGB press centre and burnish their image as open-minded instruments of the current orthodoxy – glasnost and perestroika.

The imposing pink brick building is surprisingly modest inside. Uniformed KGB officers usher visitors into a steel-lined lift to the third floor conference centre along carpeted corridors flanked by anonymous offices.

Only three photographs decorate the walls of the conference centre: of Lenin, Felix Dzerzhinsky, the head of the Cheka, and President Mikhail Gorbachev.

A plaque on the outside of the building also commemorates Yuri Andropov, the first head of the KGB to become leader of the Communist party, and hence the entire country, on the death of the now unlamented Leonid Brezhnev in 1982.

But the blank period of nearly 40 years which once stretched between "iron Felix" Dzerzhinsky and the man who brought the KGB under close party control is now being painfully filled as this ravaged country rediscovers its past.

The men who were the instruments of Stalin's rule by terror – Yezhov and Beria – may not be officially recognised on the walls of KGB headquarters, but neither they nor their victims can any longer be considered "unpersons".

Thanks to glasnost the crimes of the recent past are now common knowledge. Mr Vladimir Kryuchkov, the current KGB chairman, announced in June that 3.78m were "subject to repression in the thirties and early fifties.

Thanks to the lifting of taboos on discussion of the past, the highly intelligent bureaucrats charged with securing the borders and the integrity of the Soviet state freely discuss the "regrettable" crimes of the Stalinist period as if they took place on another planet in another age.

But glasnost has its limits. A Polish correspondent asking for further details on the murder of more than 5,000 Polish officers in the Katyn forest was told that unfortunately most of the files had been lost. KGB staffing figures are also still a secret: not a KGB secret, said Mr Alexander Karbaynov, the press centre chief, but a state secret.

Now that the Communist Party has formally given up its monopoly of political power, the KGB, as its name Committee for State Security implies, is seeking a new function as guarantor of order in the middle of the threatened chaos of transition to a democratic, market-oriented society.

But its terrible past, and the suspicion that many secret opponents of reform lurk in its corridors, continue to make radical reformers nervous.

They fear it could undermine attempts to re-create a society in which the security of citizens will be assured once again by insurance companies, not secret policemen.

Soviet economy, Page 4

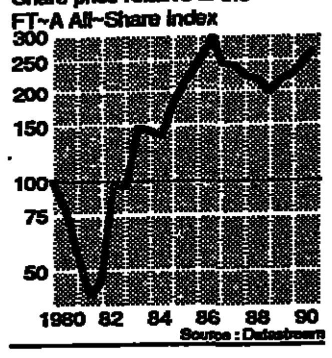
THE LEX COLUMN

Fisons repeats the prescription

Either the market is wrong about Fisons, or Fisons is. The company says its current 20 per cent earnings growth can be repeated annually for the rest of the millennium. This would put it among a tiny handful of spectacular growth stocks; not so its more pedestrian multiple of 13. The same holds good for the pharmaceutical sector overall, despite the market's memory of its spectacular performance in the last recession 10 years ago. Glaxo and SmithKline Beecham, both of which seem confident of at least 15 per cent average earnings growth for the next five years, are on the same rating of 13.

Fisons

Share price relative to the FT-A All-Share index



Source: Datastream

In Fisons' case, some of the problems are familiar. The company's financial ingenuity has always seemed slightly at odds with quality of earnings, as in its 22 per cent tax charge or its remarkable feat this year of producing a profit on £150m of net debt. It also has a history of secrecy about its products, though this seems to be changing. The company now predicts that Tilade, the new asthma drug, will have sales of several hundred million pounds by the mid-decade; equally important, it says one or other new product of similar size should by then be arriving to take up the running.

At present, the market is nervous of the effects of a weak dollar on the company and the sector. On a longer view this is irrational. Like Glaxo, Fisons has scarcely outperformed the market since the Gulf crisis began. At some point, investors will recall that the drug industry is impervious to recession like no other.

Swiss banks

The Swiss Cartel Commission's victory over the big Swiss banks looks complete for now. The question is whether Switzerland will be more competitive as an international financial centre. For months, the banks have expected the end for fixed syndicates and brokerage commission levels. Closed syndicates had already lost their edge after the profitability of the public bond markets started to decline two years ago, and now account for only a third of new deals. As for commission levels, institutional clients have long negotiated their charges. Small investors are likely to suffer as in other markets undergoing deregulation.

But what would really change the status quo is the mooted abolition of turnover tax. That would improve trading volumes, but remains politically fraught. It would also force banks to reassess their charges for lucrative money management services. The introduction of performance-based fees would hit profits and give foreigners a bigger chance. Nevertheless, in a country where the Government is bickering with the central bank over pegging mortgage levels, this seems a far-off prospect. The Big Three can rest easy on their profits for a while longer.

Hoare Govett

The long-awaited buyout of the London stockbroker Hoare Govett seems rather at odds with received wisdom. The first principle of buyouts is borrowing against assets; in the tangible sense, Hoare has none. The next is running the business for cash; Hoare can have been doing little else for the past three years. Buyouts are supposed to end in a profitable exit by trade sale or flotation; Hoare has no obvious plans for either.

The idea is nevertheless attractive, if only as a retreat from the financial hypermarket back towards the partnership principle. Hoare may also be able to use its new £70m of capital to attract business, now that uncertainty over the commitment of its Canadian owner has been removed. But for the 75 per cent of staff not invited to take part, the picture seems one of increased risk and unchanged return: or worse, should they come to represent excess cost to be squeezed from the business by its new owners.

P & O

It is understandable that P & O's shares have fallen more than a fifth since the Gulf crisis began. A relatively highly geared international transport group – half of whose business is property and construction related – is vulnerable to sharply higher fuel oil prices, increasing risks of recession and a rising pound. Nevertheless, it is hard to see why its shares should have fared worse than other cyclical stocks like ICI or British Airways.

Over half of the £37m drop in P & O's interim pre-tax profits, to £132.1m, can be explained by the absence of last year's profits on the Taylor Woodrow stake. Similarly, the slump in UK housebuilding has been largely offset by improvement in the traditional shipping business and the more stable services operations which now account for close to a third of operating profits.

Admittedly, gearing is rising and the near halving in interest rate cover, to 3.4 times, is a reminder that P & O's ability to exploit the growing corporate distress in property – the sector it knows best – is severely limited. Given the management's record, it still has to be assumed that P & O did not pay a silly price for Laing Properties. But its ability to persuade its bankers to back its property judgment with endless sums of non-recourse lending must also be finite. It will be a year at least before profits start recovering. In the meantime a prospective yield of 8½ per cent provides a reasonable support.

TVS

In a hard-headed commercial world, TVS would have been taken over some time ago, for reasons obvious from yesterday's interim figures. Chief among them is the discrepancy between the sorry transatlantic tale of MTM, which delivered three expensive flops last year, and the underlying benefits of a monopoly over TV advertising between Dorset and Dover. Granted, the UK business is weak now, with pre-tax profits down 36 per cent, and 1991 looking bleak. But TVS has brought net debt down from £136m at the end of 1988 to £48m now; which shows the industry's basic cash-generative power.

The problem, besides uncertainties about MTM's value, is the proximity of the UK franchise auction in 1991, which is probably enough to put off most bidders. And if no one bids before the auction, then TVS is safe from takeover till half-way through the decade. No wonder the shares are on six times likely 1990 earnings.

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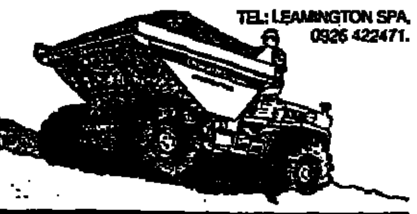


INSIDE

Alusuisse-Lonza warns on profits

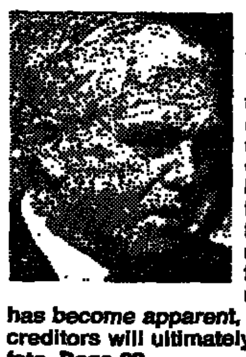
ALUSUISSE

Alusuisse-Lonza Holding, the big Swiss aluminium company, predicted group net profits this year would fall about a third from last year's SFr466m ($358.4m), but said it was not excluding a higher dividend this year. Higher profits at the parent holding company will help to maintain the dividend, said Alusuisse. Page 20

Family fortunes and fickle fate

Corporate raiders Sam, Bill and Hy Belzberg have been thrown on the defensive. Falling share prices, the collapse of the junk bond market, difficulties in US property and the public backlash against corporate raiders are all taking a toll on the three brothers. Bernard Simon looks at the sudden turnround in the fortunes of Canada's Belzberg family and its flagship holding company, First City Financial Corp of Vancouver. Page 21

Bond considers end of era



Bond Corporation Holdings, the troubled Perth-based group, has proposed a possible debt-for-equity swap with its main unsecured creditors. Peter Lucas, Bond executive director, (left) has acknowledged that the move would mean the end of an era by removing voting control from Australian businessman Alan Bond. It has become apparent, he said yesterday, that creditors will ultimately decide the company's fate. Page 22

Fisons jumps 35% in interim

Fisons, the peat-to-pharmaceuticals group, dispelled some of the gloom enveloping the current UK results season by reporting a strong 35 per cent advance in interim profits. Pre-tax profits for the first six months climbed to £90.2m ($169.5m) on sales of £582.9m. David Owen looks at improvement, which resulted in a 20 per cent rise in earnings per share. Page 25

Silver lining to Singapore slide

The Singapore market is sliding. A slowing of the economy has coincided with the Gulf crisis, and its stock market has had a rougher ride than its Asia Pacific neighbours in recent weeks; volume is embarassingly low, but, say some analysts, not all the news is bad. The bargain-hunting season may soon commence. Back Page

Slimmer Bunzl falls at mid-stage

Bunzl, the specialist UK manufacturing and distribution company that has emerged from an 18-month programme of disposals, saw first-half pre-tax profits fall by more than 25 per cent to £30.4m ($54.7m). Despite difficult trading conditions, particularly among its plastics and cigarette filter manufacturing operations, the group plans to maintain its dividend level and remains optimistic about future profitability. Page 27

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Hochtief	1178	+	18
Springer Vlg.	697	+	25
Falls			
Daimler-Benz	697	−	19
Muench Rueck	2320	−	90
Volkswagen	457.5	−	12.5
Zanders Fein.	248	−	7

NEW YORK ($)			
Rises			
Bally Mfg.	$7\frac{3}{4}$	+	$\frac{3}{8}$
BCE	$30\frac{7}{8}$	+	$\frac{1}{8}$
Fluor	37	+	1
Falls			
Compaq	$43\frac{1}{4}$	−	$1\frac{7}{8}$
Goodyear Tire	$20\frac{3}{8}$	−	$\frac{5}{8}$
Tandem	$11\frac{1}{2}$	−	$2\frac{1}{8}$

LONDON (Pence)			
Rises			
AMS	27	+	7
Bunzl	69	+	9
Delta	301	+	11
Courtney Pope	67	+	9
Lookers	63	+	7
Racal Elect.	164	+	6
Siebe	378	+	8
Falls			
Adscene	51	−	4
Colorgraphic	150	−	18
Crest Nichol	96	−	6
Enterprise Oil	689	−	13
Harland Simon	520	−	45
Hartons	39	−	5
Lovell (Y.J.)	114	−	8
LASMO	469	−	9
Nat West	265	−	9
Pentland	49	−	5
Planning Rsch	40	−	7
Scholes Grp.	117	−	13

PARIS (FFr)			
Rises			
Locafrance	440	+	15
Sagem	1545	+	65
Falls			
Bancaire Cie	411.5	−	17.5
CGIP	993	−	24
Fromageries	1871	−	149
Pernod Ricard	1065	−	27

TOKYO (Yen)			
Rises			
Japan Synth.	850	+	100
Nippon Chem.	1880	+	230
Toyobo	639	+	79
Falls			
Nippon Piston	680	−	60
Takashimaya	2010	−	190
Tokyo Dome	2700	−	270

BCE to sell energy stake for C$1bn

By Robert Gibbens in Montreal

BCE, the Canadian industrial conglomerate, is ending a costly seven-year diversification spree by selling its main energy holding, 48.8 per cent of TransCanada PipeLines (TCP), in a secondary offering.

BCE, which owns Bell Canada, the telecommunications concern, and Northern Telecom, the telecoms equipment group, hopes to raise more than C$1.2bn ($1bn) from the sale by the end of 1992.

BCE's controlling stake in TCP was its first diversification away from telecommunications in the 1980s. However, when Mr Raymond Cyr took over as chairman in 1988, he reversed the company's moves into energy, property, printing and publishing, and computer services to refocus on telecommunications and financial services.

The TCP stake will be sold to a group of Canadian investment dealers led by ScotiaMcleod, Midland Walwyn Capital and Gordon Capital. The group will then distribute to the public 37.5m units comprising TCP common shares and warrants at C$17 each for a total of C$637.5m. BCE will receive the cash in two instalments by October 1, 1991.

Each unit comprises a TCP common share plus a warrant entitling the holder to buy another share by December 15th, 1992 at C$17.50. Assuming all warrants were exercised, BCE would gain a further C$656m.

BCE's diversification has been dogged by difficulties. Its most disastrous move was the 1985 acquisition of Daon Development, now BCE Development (BCED). This heavy loss-maker was hit by the North American property downturn and may halt payments on some debt while a financial restructuring is organised.

BCE wrote this holding down by C$440m last year, and brought in a property firm controlled by Messrs Peter and Edward Bronfman to manage BCED.

Another problem area for BCE was its heavy investment in Kinburn, a debt-ridden, high-technology holding company owned by Ottawa entrepreneur Mr Roderick Bryden, which owes BCE about C$400m. Also, in 1988, BCE merged its printing business into Quebecor for a 21 per cent interest in the Montreal publishing group.

BCE will use the cash from the TCP sale to reduce short-term debt. It will show a gain of C$147m, or C$119m after tax, on the first share sale and a further C$147m if all warrants are exercised. The units are not offered in the US.

BCE's first-half earnings were C$533m or C$1.64 a share against C$542m or C$1.81 a year earlier. Revenues were C$9bn against C$7.8bn. Bell Canada is by far the biggest profit contributor.

TCP, now a natural gas pipeline company with a C$4bn expansion programme, earned C$107m or 62 cents a share in the first half of this year on revenues of C$1.57bn.

Koyo to take stake in Renault division

By William Dawkins in Paris

RENAULT, the French state-owned car maker, has confirmed that an offshoot of Toyota, the Japanese car group, is to pay about FFr100m ($19m) for a significant stake in its steering systems division.

Koyo Seiko, Japan's third-largest maker of ball bearings and one of the world's top producers of variable power steering, will take a 35 per cent share in the French company's subsidiary, Société de Mécanique d'Irigny (SMI).

This follows the strategy set by Mr Raymond Lévy, Renault's chairman, to seek partners or subcontractors for components that are too costly to produce in-house. The proportion of in-house components has fallen in recent years to about half the content of Renault's latest models, say officials.

However, the deal has already provoked opposition from trade unions and is likely to rekindle a long-running political debate over competition against Japan.

The French Government, sensitive to Renault's interests as well as those of Peugeot, the privately-owned car producer, is one of Europe's strongest advocates for curbs on Japanese car makers. The Paris Administration is divided between a wish not to miss out on Japanese investment, while at the same time protecting French industry.

"Why shouldn't we open SMI's capital to Japanese investment? They have a very high level of technology and will contribute to the development of the business," said a Renault spokesman. Koyo has agreed to Renault's conditions that it must transfer new technology and new contracts to SMI.

This is also Renault's latest step towards shaking off its role as the flagship of French industrial policy, following its transition from a state guaranteed company – known as a *régie* – into a normal state-owned company. This paved the way for a much more important agreement to exchange share stakes with Volvo, the Swedish car maker, last February.

SMI, by far the smallest partner in the deal, was founded in 1967. It employs 716 people and reported net profits of FFr21m on sales of FFr700m last year.

Koyo reported operating profits equivalent to FFr340m on sales of FFr8.4bn in the year to last March. Ball bearings represent 64 per cent of total sales, with 20 per cent in power steering equipment and the rest in components, precision instruments and chemicals.

Chilly Alpine breeze for the big Swiss banks

William Dullforce and Tracy Corrigan on new rulings

Monday was a black day for the big Swiss banks. The federal government ordered them to dismantle four price-fixing cartels. It worsened the blow by announcing plans to have their mortgage rates supervised by the Price Ombudsman.

For a state in which government and banks are generally believed to work hand in glove, these were extraordinary developments. One banker described the government's decision to back the Cartel Commission's price-fixing rulings as a slap in the face.

Another lambasted the announcements by Mr Jean-Pascal Delmaruz, Economy Minister, as totally contradictory. The cartel decision aimed at freeing market forces, he said, but supervising mortgage rates implied an attempt to control market forces.

On the cartel issue, the government's motive appears to have been to keep Switzerland in as close harmony as possible with competition regulations in the European Community. Switzerland, together with the five other members of the European Free Trade Association, is negotiating on future relations with the EC.

On the mortgage side, the government was responding to strong public reaction to a 40 per cent climb in mortgage rates over the last two years, which has been translated into a 22 per cent increase in housing rents.

To foreign bankers Monday's developments were further illustration of the unremitting pressure of international deregulation and competition on an archaic, if powerful, Swiss banking system.

Two of the Cartel Commission rulings are particularly contentious:

- The abolition of the agreement which fixes stock exchange commissions; and
- The order to the Big Bank syndicate, which dominates the underwriting of Swiss franc bond issues for foreign borrowers, to abandon an agreement under which members are prevented from joining other syndicates or managing other debt issues.

A Zurich banker said yesterday that elimination of the agreement fixing securities trading commissions would actually lead to more reasonable (that is, higher) pricing. Many brokers had recently been ignoring the agreement and cutting prices to win business in a low-volume market.

> **'Some borrowers are fed up with the dictatorship of the big banks'**

The long-term effect of open competition could be a return to higher commissions, he argued. At present the big banks did not calculate the true costs of their brokerage operations. As a result, they were too big and overstaffed. Competition would force the banks to take costs seriously, and lead in the end to greater concentration and the restoration of higher commissions.

However, Mr Pierre Lardy, chairman of the brokerage convention, voiced concern that the government's edict could weaken the Swiss equities market, as, he claimed, London's Big Bang had undermined the quality of its stock exchange.

"Decent margins would allow us to finance the modernisation of the Swiss bourse. After Big Bang nobody in London can afford to invest in new products or quality of service," he said.

The second contentious change, the removal of the restriction on members of the Big Bank syndicate, will create broader opportunities for foreign banks operating in Switzerland. But the power of the large Swiss banks will leave their market position largely unaffected.

The abolition of the "loyalty" clause, which prevents members of the Big Bank syndicate from underwriting other debt issues, does not spell the end of the Big Bank syndicate, bankers agree, but will create a more competitive environment.

For decades, the big three Swiss banks, Credit Suisse, Swiss Bank Corporation and Union Bank of Switzerland, have dominated the Swiss bond market. Their fixed syndicate is made up of dozens of banks, including small regional banks, which control Switzerland's retail distribution network. It underwrote 77 per cent of Swiss franc bonds issued in the first eight months of this year.

Although other banks are allowed to lead manage bond issues, in practice they do not have the placing power to distribute these bonds without the support of some of the Big Bank syndicate members, which command the distribution networks.

The Cartel Commission ruling would mean, said a banker from a Geneva-based syndicate, that other banks would now be able to join Big Bank syndicate members in bidding for the management of bond issues by sovereign, triple A and other big corporate issuers.

"If we can join with members of the syndicate, say, Swiss Volksbank or the big cantonal banks, we can offer the big borrowers more flexible terms. Some of the borrowers are fed up with the dictatorship of the big banks. We could do better, for instance, for Electricité de France," the Geneva banker said. He also saw greater scope for joint lead management with foreign banks.

A foreign banker based in Switzerland said the cumbersome structure of the syndicate system had added to the inflexibility of the market. Foreign banks should be better able to win new issues business through corporate relationships and innovative structuring, improving the professionalism of the whole market.

Members of the Big Bank syndicate would not comment yesterday on the government's order, except to stress that talk of the demise of the syndicate was premature. An appeal against the measures would be unlikely to be successful, bankers say.

"It was a last logical step in the liberalisation process, which had already been implemented in most European countries, but it is ironic in the context of fresh intervention in the price mechanisms of mortgage rates by the same Swiss government," said Mr Hans-Jörg Rudloff, chairman of Credit Suisse First Boston.

Not all banks in the syndicate accept the move as inevitable, and members will meet on September 26 to decide how to respond to the ruling.

An appeal to the Federal Tribunal, Switzerland's supreme court, is possible. The stock exchanges may also appeal, arguing that the Cartel Commission has exceeded its legal powers.

Shake-up at CS First Boston

By Tracy Corrigan in London

THE SENIOR management structure of the CS First Boston (CSFB) group was readjusted yesterday, to give a fuller role to the group executive committee. The committee will determine the strategies of the group's three operations: First Boston in America; Credit Suisse First Boston in Europe; and CS First Boston Pacific in the Far East.

The creation of such a committee to oversee global strategy is seen as a move to strengthen the influence within the group of Credit Suisse First Boston, the European arm of the group.

The group committee will meet monthly and all major decisions will be made by consensus, although the last word remains with Mr John Hennessey, who continues as president and chief executive of the group.

Mr Hans Jörg Rudloff, chairman of CSFB, is retiring from the executive board of the Swiss bank, Credit Suisse, on December 31, to concentrate on his new duties as a member of the group executive committee of CS First Boston.

Last week, Mr Archibald Cox, who joined the firm last May, was appointed president and chief executive of First Boston, a position relinquished by Mr Hennessey. Mr Oswald Grübel will join the executive board of Credit Suisse on January 1, 1991 to assume responsibility for securities trading and sales in Switzerland and abroad. He is on the group executive committee of CS First Boston.

Hoare Govett to be split in MBO deal

By Richard Waters in London

HOARE GOVETT, the UK stockbroker bought by Security Pacific of the US in 1986, is to be split in two as part of a deal in which 51 per cent of the company is being returned to the broker's employees, it was confirmed yesterday.

The UK and other European operations, employing 500 people, will be separated from a new company, Hoare Govett Pacific, with 200 staff.

The majority stake in the UK/continental European operation is being sold for £5.1m ($9.6m), while managers of the south-east Asian part of the business are paying $5.1m. This puts a value on the total Hoare Govett business of £15.5m – well below the £50m-plus that Security Pacific paid for what was one of the UK's leading brokers.

In addition to the purchase price, the bank has pumped extra capital into the broker to bolster it against losses. The UK and international securities operations lost a combined £25m in the 1988, the last year for which figures are available.

Only a handful of Hoare Govett's original shareholders who sold out to Security Pacific are still employed by the firm – among them Mr Peter Meinertzhagen and Mr Tony Lowrie, who will become chairman of the European and Asian operations respectively.

Both said yesterday that the partial return of ownership would provide greater incentive to staff.

The partial buy-outs follow a year of negotiations since Security Pacific first agreed to return majority ownership to management. The protracted period is said to have been due to the complexity of separating the two parts of the firm, rather than substantive differences.

Apart from the losses it has sustained, the bank is understood to have felt hampered by continuing restrictions on US commercial banks which own securities operations abroad. Under the so-called Regulation K, banks are limited in the scale of their underwriting and other position-taking.

Security Pacific's stakes in the two Hoare Govett companies are to be held by Security Pacific Alliance, which also has minority interests in two other brokers – Burns Fry in Canada and McIntosh Securities in Australia.

Lex, Page 18

P&O profits fall 22% in first half

By Maggie Urry in London

DESPITE a 22 per cent fall in half-year profits at Peninsular and Oriental Steam Navigation and a warning from Sir Jeffrey Sterling, chairman, that "the result for the year will fall short of last year", the group's shares rose 9p to 504p yesterday.

Stock market analysts attributed the shares' gain to an 8 per cent increase in the interim dividend.

Group pre-tax profits of £132.1m ($248m) were below analysts' expectations. This compared with £169.3m in the first half of last year, when a gain of £21.9m on the sale of a stake in Taylor Woodrow, the construction company, was included.

Analysts are now expecting full-year profits of about £325m compared with £354.8m, excluding the £21.9m one-off gain.

The passenger shipping division increased its profits by 63.4 per cent to £47.7m thanks to growth in the number of ferry passengers and a new cruise ship.

Earnings per share fell 24 per cent to 21.4p, while the interim dividend is up from 12.5p to 13.5p.

Lex, Page 18.

Alusuisse predicts fall in year's net

By Our Financial Staff

ALUSUISSE-LONZA Holding, the big Swiss aluminium company, yesterday predicted that group net profits this year would fall about a third from last year's SFr466m ($358.5m), but said it was not excluding a higher dividend this year.

Group net profit for the first half of 1990 was SFr170m but no six-month comparison was given. Group turnover in the first half slipped to SFr3.44bn from SFr3.55bn. Cash flow dropped to SFr340m from SFr500m.

Alusuisse noted that, in spite of the projected fall in group profits, the parent holding company would post slightly better profits in 1990. Parent company profits last year were SFr130m.

"The income derived from investments in subsidiaries and affiliates in 1990 is significantly up on the previous year's yield owing to these companies' record performance last year, which has resulted in higher dividends being paid to the holding company in 1990," Alusuisse said.

"This allows us to retain our present dividend policy." On 1989 results, Alusuisse raised its dividend 50 per cent to SFr15 per registered share, SFr30 per bearer, and SFr3 per participation certificate.

The predicted one-third fall in group net profits this year would produce a figure around the level reached in 1988, when Alusuisse made a profit of SFr317m. However, the company said the Gulf crisis made precise forecasts impossible.

"These figures may look disappointing at first glance but in our opinion such an impression would be false," the company said.

Alusuisse said it expected a cash flow for 1990 of more than SFr650m, compared with 1989's SFr948m. Alusuisse had previously given a 1989 cash-flow figure of SFr939m.

Even so, the expected 1989 cash flow would suffice to internally finance investment projects and acquisitions, the company said. Investments this year should total SFr600m, down SFr46m from 1989. Analysts noted that cash flow is running at a rate of 10 per cent of sales, still a good level for an industrial concern.

On the first-half performance, Alusuisse said that "thanks to our wide diversification and increased orientation towards specialities, the effects of weaknesses had remained within bounds."

Analysts suggested that this year's group profit decline could hurt the dividend to be paid in 1992.

They noted that the company's restructuring effort had succeeded in producing more finished products and reducing exposure to cyclical raw materials, thus improving longer-term strength.

In the short run, however, the company remains subject to currency factors, commodity prices, economic slowdown and narrower profit margins, they said.

For the year, the company expects sales to decline about 8 per cent to about SFr6.5bn from SFr7.1bn in 1989.

Renault arm in Argentina may expand into Brazil

By John Barham
in Buenos Aires

RENAULT'S Argentine subsidiary says it is considering expanding operations to Brazil, where Volvo, its worldwide partner, already has a truck and bus unit.

Mr Jesus Peon, managing director of Renault's Argentine operation, said in an interview published yesterday: "In a first stage we will begin exporting to Brazil, then later, through associations with Brazilian companies, we could decide to produce there. Nothing definite has been decided yet."

Autolatina, the holding company that manages Ford and Volkswagen operations in Brazil and Argentina, shares production facilities in both countries.

However, Renault would become the first company to expand into Brazil from Argentina, rather than merely consolidate existing operations.

Bankers in Buenos Aires say Renault has long planned to scale back its operations in Argentina, either by selling part of the subsidiary to local investors or expanding operations into a more promising market.

Argentine car production has fallen by two thirds to about 100,000 units a year in the past decade as the country succumbed to an unprecedented recession. Renault executives are understood to have held talks with Chilean and Brazilian government officials to discuss relocation packages.

It now seems that Brazil has won. Increasing economic integration with Argentina and liberal trade policies will allow it to increase exports and reduce idle capacity, while Volvo's presence in Brazil will allow Renault to spread the risk of entering a new market.

Mr Peon said that Renault would send dies from Argentina to produce cars in Brazil in a capacity-sharing plan.

He said: "We should have a policy by which an Argentine company makes one or two models, but not four, five or eight for both the Argentine and Brazilian markets."

Merger to give insurance giants increased muscle

Karen Fossli on plans to link Norway's biggest firms

Mr Ludvik Sandnes, deputy managing director of UNI Forsikring, Norway's biggest insurance group in terms of assets, is confident that a merger between his company and Storebrand, Norway's second biggest insurance group, will be approved by the finance ministry before December.

Meeting this schedule is crucial if the new company is to become operative, as planned, from January 1. Mr Arne Skauge, the finance minister, is expected to give the green light before then, though he endorsed it on June 6, when it was announced.

The merger will propel UNI Storebrand, the new company, to a position as Scandinavia's biggest insurer apart from Sweden's Skandia but, more importantly, it will create a company with enough muscle to meet international competition, particularly after the European Community's borders are brought down in 1992.

Domestic competition became heated last year after Skandia purchased the ailing Vesta insurance group. Other domestic players sought alliances in and outside Norway.

After an era of deregulation in the 1980s which sparked over-heated competition, unprofitable general insurance business and significant changes in the non-life insurance sector, the 1990s are expected to bring changes to the structure of the life insurance sector and keener competition by foreign companies.

Norway's regulators have maintained strict rules on mergers within the finance community which were shattered last year by a radical reversal in policy allowing Norway's two biggest banks to merge.

They had no choice. A domestic recession set in after Norway's oil-dependent economy was ravaged by a plunge in world crude oil prices in 1986. This forced a record number of bankruptcies and credit losses by the banks which is not expected to abate this year.

Some insurance companies – Storebrand included – involved in credit lending also suffered heavy losses. Now, finance institutions are scrambling to meet by 1992 the Bank of International Settlements' (BIS) and EC capital adequacy requirements.

Ludvik Sandnes: 'merging because we are strong'

Mr Sandnes claims the merger with Storebrand is for reasons other than those that prompted the two biggest to merge, but he acknowledges the lack of equity as the finance sector's biggest burden.

"We are concerned about the development of the banks. They are still suffering huge credit losses and we feel this might reflect on us when international investors are considering investments. We are, in fact, two strong, profitable insurance companies which are merging and this is precisely the difference. The banking sector is merging because it is weak... we are merging because we are strong... and will be better able to meet international competition," he explains.

Both have suffered huge credit losses; Storebrand lost NKr1.1bn ($180.47m) in the last two years and was forced to wind down Storebrand Finans, while UNI lost NKr500m through Lefac, a finance business which it jointly owned with Christiania, Norway's second biggest bank. Lefac has also been wound down.

One benefit of the merger, however, will be a 10 per cent saving in operating expenses over a period of two years. In the last two years Storebrand has reduced staff by 812 to 3,059 and cut expenses by NKr171m to NKr2bn, while UNI has made a 5 per cent staff reduction to 2,000. Further reductions are forthcoming, but they are loathe to outline details.

Both companies have made significant recoveries in the last two years; in the non-life business Storebrand reversed losses of NKr529m in 1988 to profits of NKr850m last year. UNI climbed in the same period from NKr67m to NKr365m while its life insurance business generated NKr2.5bn in 1989.

"Consider the scale of the two companies' combined economies," Mr Sandnes suggests: UNI Storebrand will be Norway's third biggest company, in terms of assets which will reach NKr80bn. It will have annual turnover of NKr25bn, premium income of about NKr15bn – Skandia's is put at NKr28bn.

Also it will have a securities' portfolio of NKr12bn – with scope given by new regulations to expand it to NKr16bn or about 10 per cent of the Oslo stock market – a bond portfolio of about NKr30bn-40bn and Norway's biggest real estate portfolio at NKr7bn, or about 650,000 sq m.

Mr Sandnes says investments are to be diversified outside Norway and therefore an asset management bridgehead is to be established in London.

In addition, he points to a huge domestic market potential to expand life insurance/pension products. According to Mr Sandnes there currently exists a NKr25bn public sector welfare/pension deficit. "It's definitely underfunded and based on our internal calculations its going to get worse," he forecast.

The terms of the merger, based partly on equity capital distribution, will give Storebrand's current shareholders a 60 per cent stake in the new company, while a trust directly controlled by UNI's general policyholders and UNI life's clients will hold the remaining 40 per cent, but the split between the two is to be decided by external advisers. Both companies foresee it being a smooth process as they have gained experience from other mergers out of which they were formed.

Continental in link-up with SAS

By Nikki Tait
in New York

CONTINENTAL Airlines, the US carrier, and Scandinavian Airlines System (SAS) yesterday announced that they were launching a joint eastbound "priority cargo express service."

This will offer a freight delivery service from about 90 US cities to 60 Scandinavian and European destinations.

The service is the first joint move by the two airlines since SAS doubled its stake in Continental to 18.4 per cent last month, a move which accompanied the departure of Mr Frank Lorenzo, Continental's controversial chief executive.

The two airlines already have a westbound cargo service – a joint operation set up last year.

Continental said it saw the new service, which will handle the freight on passenger aircraft, as "one of many joint developments between the two airlines."

● In yesterday's issue it was wrongly reported that SAS was selling half its 50 per cent stake in Linjeflyg, the Swedish domestic airline. In fact SAS is selling its entire 50 per cent stake.

Eskénazi resigns from more posts

By Lucy Kellaway in Strasbourg

MR GERARD Eskénazi, the French banker, yesterday resigned as vice president of Groupe Bruxelles Lambert, the Belgian holding company, ending a long and dynamic partnership with Mr Albert Frère, chairman of GBL.

Mr Eskénazi also resigned from the board of Petrofina, the Belgian oil company, where he is to be replaced by Mr Jacques Calvet, the chairman of Peugeot, the French car group.

The two resignations came as little surprise yesterday, following the news on Monday that the influential French financier had quit Pargesa, the Swiss holding company that he set up with Mr Frère in 1981.

Pargesa, GBL and Petrofina are linked through a series of complicated cross-shareholdings. Pargesa owns some 38 per cent of Groupe Bruxelles Lambert, while GBL with Power Corporation of Canada own more than 50 per cent of Pargesa.

Once Mr Eskénazi had resigned from one group, his position at the others looked increasingly untenable.

The resignation will leave all three companies largely under the sway of Mr Frère, who earlier this year became chairman of Petrofina.

It is not yet clear how much the strategies of the three companies will change as a result, although the interests of the two men had always been different, with Mr Eskénazi particularly interested in French financial assets and Mr Frère more interested in heavy industrial concerns.

PepsiCo increases share of fried chicken outlets

By Nikki Tait in New York

PEPSICO, the US soft drinks manufacturer, is acquiring a further 209 Kentucky Fried Chicken restaurants from Collins Foods, as part of a complex restructuring of the quoted Los Angeles-based franchise group.

The deal means that PepsiCo will now operate about 30 per cent of the 5,000 KFC outlets in the US "in-house," with the remainder being run on a franchise basis. The acquisition of the Collins' KFC outlets, together with certain property interests of the West Coast group, is being paid for by the issue of about 4.9m PepsiCo shares to Collins' shareholders.

Based on yesterday's PepsiCo price of $24.50, this gives a price-tag of about $120m.

At the same time, Collins is spinning off its other operations, which include the operation of 64 Kentucky Fried Chicken outlets in Australia, into a new company which will then make an all-share offer for the 33 per cent of Sizzler Restaurants, a Nasdaq-quoted company, which Collins does not own.

YSL advances 43% halfway

YVES Saint Laurent, the French fashion house (YSL), said yesterday that net profit grew 43 per cent in the first half to FFr70.6m (US$13.3m) from FFr49.3m in the year-ago period, AP-DJ reports.

Consolidated revenue grew 5.2 per cent to FFr1.34bn, the company said. On a comparable exchange-rate basis, the gain would have been 10.5 per cent. It added that seasonal factors, which mean that most perfumes are sold in the second half, also affected income.

YSL said the profit gain reflected lower financing charges this year, as well as gains from debt management.

Columbia S & L junk bond sale stopped by regulators

By Janet Bush in New York

COLUMBIA Savings & Loan, the California thrift which is insolvent because of an estimated $1bn in losses and a deeply discounted portfolio of high-yield junk bonds, moved one step closer to being taken over by the federal Government when thrift regulators rejected its plan to sell its junk portfolio.

Columbia announced in July that it had agreed to sell its $2.9bn in junk bonds to Gordon America LP, a partnership associated with Gordon Investment Corp, an aggressive merchant bank based in Toronto.

At issue was a "non-recourse" clause which provided for any default by Gordon. In the case of a default, the junk bonds would have been returned to Columbia, leaving the ailing thrift in an even worse position and the federal Government with the ultimate liability. As of June 30, the thrift was insolvent to the tune of $352.2m.

The Office of Thrift Supervision said that it could not approve the transaction in which Gordon would have bought the portfolio for $3bn, a slight premium.

The deal was to be financed with $300m in cash and $2.7bn in the form of a note bearing interest of 10.5 per cent per year.

The OTS said the terms of the financing raised a significant legal issue of compliance with the provisions of the thrift bail-out Bill passed in August 1988. The Bill requires savings and loans to divest their junk bonds.

It said that not all cash bids had been sought by Columbia and that the thrift did not consider any bids which would have given it a share of any future gains of the portfolio.

Therefore, the OTS said, it "could not be confident the bidding process had produced the best ultimate value for the portfolio."

The OTS said that Columbia might fail even if the sale of its junk bond portfolio were to go through.

Columbia said that it would try to restructure the deal but that its options were limited.

Fluor advances 18% to $40m

By Nikki Tait in New York

FLUOR, the world's largest engineering and construction services company, yesterday reported an 18 per cent improvement in third-quarter profits, at $40m after tax. The figure was scored on revenues which advanced to $1.77bn from $1.56bn.

The advance comes after a dip in the second quarter of the current year, and leaves aggregate net profits for the first nine months, to the end of July, up by just over one third at $106.2m.

The third-quarter profits total translates into earnings per share of 49 cents, 17 per cent higher than in the same period a year ago. Fluor said the 1990 figure included a discontinued operations gain worth 10 cents a share, from the sale of its Pea Ridge Iron Company.

However, the comparable figures from the third quarter of 1989-90 also included a one-off gain of 11 cents a share after a settlement with the National Iranian Oil Company.

Fluor said that new orders in the third quarter were slightly ahead of the previous year at $2bn.

This leaves the new order figure for the nine months up by 11 per cent. "We are encouraged by the strength and diversity of new business activity despite the Gulf crisis," said Mr Les McCraw, Fluor's chief executive.

There has been some concern among investors about the impact of the Middle East crisis on Fluor, which recently said it had received contracts for parts of Saudi Arabia's major project to overhaul and expand its oil and gas production facilities.

However, the company stressed yesterday it had no interests in Kuwait or Iraq, and that work in progress in Saudi Arabia totalled less than $50m and was continuing.

During the third quarter, Fluor Daniel – the group's engineering and construction business – saw "substantially higher" profits, with both margins and volume increasing.

Fluor said that work for the natural resources sector, including oil and gas, was particularly buoyant. Results from natural resources investments were moderately improved on the previous year.

Price increases boost Heinz sales by 12%

H. J. HEINZ, the US food group whose products range from ketchup and soup to "Weight Watchers" products and tinned tuna, reported a 13.2 per cent advance in after-tax profits at $143.2m during the three months to August 1.

The first-quarter rise translated into a 12.5 per cent rise in earnings per share at 54 cents.

Heinz, which has shown consistent profits growth over the past decade, said the improvement was secured on sales up by 7.4 per cent at $1.56bn. However, the company conceded that the improvement was largely due to price increases spread across most of its major product categories, with sales volumes – on an aggregate basis – staying flat.

This picture, it said, was due to a fall in sales volumes on the tuna side, offset by some significant increases elsewhere. Heinz attributed the difficulties to increased import competition and heavy trade buying at the end of last year ahead of an expected price increase which did not materialise.

Heinz said that some of the sectors showing strong underlying sales growth included the ketchup business in the US and the UK operations.

Profits at the operating level stood at $266.1m against $230.4m in the first quarter, while interest costs rose to $25.5m from $16m.

Japan sell-off cancelled

FOR THE SECOND year in succession, Mr Ryutaro Hashimoto, Japan's Finance Minister, has called off the sale of a tranche of the Government's shares of Nippon Telegraph and Telephone (NTT), writes our Tokyo Staff.

Mr Hashimoto said the price of NTT shares on the Tokyo stock market had fallen so low that new shares could not be sold.

The ministry, which holds two thirds of the shares, was counting on raising Y1,300bn ($9.3bn) through the sales to help finance public works.

NTT shares, initially launched on the Tokyo Stock Exchange in January 1988 at Y2.12m each, have tumbled recently to the Y800,000 range.

Market participants have been expecting the ministry to cancel this autumn's planned issue of 1.95m shares.

Indonesian group income up three-fold

ASTRA International, Indonesia's second largest private group, yesterday unveiled a more than three-fold rise in net income to Rp95bn ($50m) from Rp27bn, for the first half to June, Reuter reports from Jakarta. Astra, which went public in April, controls activities ranging from vehicle production to agribusiness.

Sales advanced to Rp1,200bn from Rp294bn previously.

Mr Theodor Rachmad, president, said that for the whole of 1990 the group should double 1989's net income of Rp85bn.

He told shareholders the main reason for the first-half improvement was continued strong sales of vehicles, which it produces under licence from Toyota Motor and Honda Motor of Japan.

Mr Rachmad said Astra planned to invest $500m in a pulp and paper mill in East Kalimantan, the Indonesian part of Borneo. The plant would be completed by the end of next year to process logs from its 180,000 hectare forest concession.

The company said it was committed to its $600m pulp mill project in Irian Jaya, which was suspended after Scott Paper of the US withdrew from the venture last year.

Astra is investing $120m in a plant to manufacture glass for vehicles and construction.

Canadian raiders retreat from the front line

Bernard Simon looks at changing fortunes for the Belzberg family's business empire

After years of chasing takeover-prone companies into the trenches, Canada's Belzberg family has itself been thrown on the defensive lately.

Falling share prices, the collapse of the junk bond market, difficulties in US real estate, and the public backlash against corporate raiders are all taking a toll on the three brothers – Sam, Bill and Hy – and their flagship holding company, First City Financial Corp of Vancouver.

The Belzbergs realised a loss estimated at between £20m and £30m (US$57m) from the sale last week of their 5.5 per cent stake in the British food stores group Asda.

Their withdrawal from Asda, after failing to find a European partner willing to help them buy a bigger stake, comes on the heels of a similarly unsuccessful effort to parlay a 12 per cent stake in Armstrong World Industries, a leading US floor coverings manufacturer, into a more dominant position.

The turnround in the Belzbergs' fortunes has been sudden. Less than a year ago, First City celebrated an 85 per cent jump in 1989 operating earnings and a 50 per cent climb in its share price with a three-for-one share split and a substantial dividend hike.

The company also benefited in 1989 from a C$123m (US$105m) gain from the sale of its interest in a leading Canadian cellular telephone company.

But in the past year, its share price has tumbled by more than half to its present level of C$6.25, with C$1 of the fall coming in the past week alone. The Armstrong misadventure cost the Belzbergs about C$18m. Coming on top of a C$25m loss on its risk arbitrage portfolio, First City suffered a C$27.7m loss in the first six months of this year.

To add to their headaches, the brothers in their personal capacity have a 58 per cent stake in a troubled California savings and loan institution, Far West Financial Corp, which is one of the thrift industry's biggest investors in junk bonds.

> **Far West is presently hovering between seizure by the federal government and a restructuring plan based on asset sales and capital injection**

Far West is presently hovering between seizure by the federal government and a restructuring plan based on asset sales and capital injection.

The Belzbergs are putting a brave face on the recent setbacks. First City explains the sale of the Armstrong and Asda stakes as part of a deliberate investment strategy to increase flexibility by being as liquid as possible, with plenty of cash on hand and unused bank credit lines.

Sam Belzberg, First City's chairman and chief strategist, indicated earlier this year that the group was retreating from its troublesome New York-based arbitrage activities.

In addition, according to one official, the group has sold "hundreds of millions" of dollars of securities from an investment portfolio whose market value stood at C$1.2bn at the end of last year.

First City says it wants to put more emphasis on its operating businesses, which include an assortment of financial services, real estate development, and manufacturing.

A Belzberg-controlled Canadian trust company and its merchant bank subsidiary have in the past 18 months hired several senior bankers and set up a commercial lending division.

The group's chief industrial interest is Scovill, a leading US maker of fasteners, which it acquired in 1985 in one of the Belzbergs' few raids that culminated in a full-fledged acquisition.

The Belzbergs are the sons of a Polish immigrant who ran a furniture store in Calgary while dabbling in real estate. Hy, the oldest of the three brothers, still runs the family furniture business and is only marginally involved in First City. The youngest brother Bill lives in Los Angeles, overseeing ailing Far West Financial.

Sam, described by one acquaintance as shrewd but unassuming, put the Belzbergs on the map in the 1980s by being among North America's most active "greenmailers" – buying minority positions in companies vulnerable to takeovers, then persuading the frightened managements or another corporate raider to buy them out at a profit.

Like other corporate raiders, the Belzbergs have had their ups and downs. They benefited handsomely from participation in fellow raider T. Boone Pickens' bid in the early 1980s for the US oil producer Gulf Corp,

> **With corporate raiders no longer members of the glamour club of the business world, the Belzbergs apparently now feel the need to present a kinder, gentler image**

and from earlier tilts at the US securities trading firm Bache Group (now part of Prudential-Bache) and a leading Canadian trust company.

However several ambitious forays – including a 1984 attempt to take over American Can's Canadian and British packaging operations – came to naught.

With corporate raiders no longer the glamour boys of the business world, the Belzbergs apparently now feel the need to present a kinder, gentler image.

One observer suggests that a reason for First City's failure to find a partner to help take over Asda may have been European firms' skittishness at being seen getting into bed with the Belzbergs. "They'd like to change their reputation," says Mr Tony Yue, an analyst at Goepel Shields & Partners, a Vancouver-based securities firm.

As part of the shift in direction and image, one of the Belzbergs' US units set up a joint venture last summer with Washington-based engineering and design firm American Capital & Research Corp to finance environmental projects. "They find the projects and we find the money," a First City official says.

Although Sam Belzberg, 62, still pulls the big strings in the family, his nephew Brent and son Marc have become increasingly prominent in recent years.

Brent, the more conservative of the two cousins, has day-to-day responsibility for Canadian financial services. Marc has had a more controversial career as president of New York-based First City Capital Corp, the umbrella for the group's troubled US risk arbitrage business.

Marc Belzberg's buccaneering style has caused some tensions between the US and Canadian arms of the family empire.

The strains have raised speculation that when the day comes for Sam to take a less active role in the business, the US and Canadian arms of the Belzberg empire may grow further apart.

INTERNATIONAL COMPANIES AND FINANCE

Bond would lose control under debt swap plan

By Bruce Jacques in Sydney

BOND Corporation Holdings, the stricken Perth-based group still headed by Mr Alan Bond, has released details of a possible debt-for-equity swap with its main unsecured creditors.

In the strongest admission yet that the company cannot survive in its present form, Mr Peter Lucas, Bond executive director, proposed a scheme of arrangement which would end an era by removing voting control from Mr Bond.

"It has been apparent for several months that it will be creditors who must ultimately decide the company's fate," he said in a statement designed to answer media speculation.

"That they will be able to do so through a mechanism such as a scheme of arrangement will, in the opinion of advisers to the company, produce a significantly better result than any other option which is available."

Mr Lucas said the precise nature of any scheme would depend on the resolution of competing claims among the group's creditors, which include bondholders and banks.

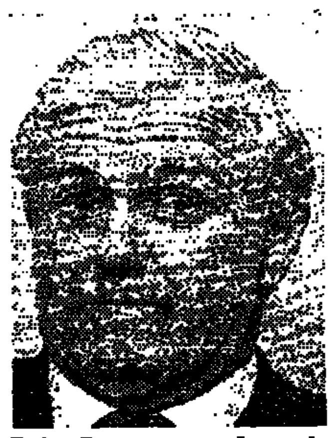
"Leaving aside creditors who hold security, whose claims are expected to be substantially satisfied, Bond Corporation's bond holders fall into two groups.

"They are the holders of US dollar and sterling denominated bonds whose claims are unsecured and subordinated to all other creditors of the company. If a scheme is to be acceptable, it will be necessary to accommodate both groups of bondholders as the support of each group is crucial to the success of the scheme."

Mr Lucas said that, if a debt-for-equity swap were offered it need not involve ordinary shares, but could be achieved with more complex securities, such as redeemable preference shares or preferred convertible units.

"The ultimate mix of shares or similar instruments to be offered to the different groups of Bond Corporation creditors under any scheme will only be known after further discussions," he said.

"It is clear that the voting control of the company would ultimately be in the hands of the recipients of new shares issued under such a scheme."


Peter Lucas: any scheme is dependent on other claims

In other developments today concerning Bond Corporation, the New Zealand brewer, Lion Nathan, received approval from Australia's Foreign Investment Review Board to proceed with the purchase of Bond's breweries in a A$1.7bn (US$1.4bn) deal.

The purchase is conditional on approvals from European and US bondholders.

Also, Australia's Trade Practices Commission has blocked the planned purchase by a Bond Corporation subsidiary, West Australian Newspapers (WAN), of Perth's only afternoon newspaper, the Daily News.

The commission decision immediately led to closure of the paper as WAN called in a A$9m printing debt. The commission was concerned that WAN, which publishes Perth's only morning newspaper, would dominate the local market.

Air India may go into red due to Gulf crisis

By R. C. Murthy in Bombay

THE FINANCES of Air India, the country's flag carrier, have gone awry as a result of the Gulf crisis, and the airline fears it will slip into the red this year.

Mr S.R. Gupte, acting chairman, said Air India would have to spend Rs2bn ($112m) more than it had budgeted for in the period from early August, when Iraq invaded Kuwait, to March.

This would wipe out the entire operating profits it was projected to make.

Operating profits in 1989-90 were Rs1.12bn, the highest in the airline's history, and net profits amounted to Rs550m.

Nearly half of the Rs2bn added expenses would be caused by the steep rise in the cost of aviation fuel, Mr Gupte said.

Air India would also have to pay Rs300m in additional insurance, while the suspension of commercial flights to Kuwait would cut profits by Rs300m.

The airline has projected a Rs400m fall in budgeted revenue this year caused by a slowdown in the growth of passenger and cargo traffic due to the slowing world economy hit by rising oil prices.

The Indian Government has ordered the airline to commit a third of its fleet, on a no profit no loss basis, for airlifting 100,000 expatriate Indians from Amman over the next 10 days.

Air India therefore had to cancel its Bombay-London terminator service and also its flights to Australia at the peak of the holiday season.

"It is a crisis for Air India," Mr Gupte said.

The airline's Boeing 747 fleet is now reduced to nine following a decision to scrap the one involved in an accident during take-off at New Delhi in April. It has three airbus A-300 and six A-310 aircraft in addition to the nine jumbo jets.

The airline plans to standardise its fleet by swapping three A-300s for A-310s and offers from Air France and Wardair to sell A-310s are now being evaluated.

S Africa-Taiwan talks on steel venture suspended

By Philip Gawith in Johannesburg

NEGOTIATIONS over the proposed R2.8bn ($1.08bn) Columbus stainless steel joint venture between Samancor and Highveld Steel, the South African ferro-alloy producers, and Yieh Loong, their Taiwanese partner, have been suspended.

This was announced by Mr Hans Smith, managing director of Samancor, who said: "Negotiations were suspended because of problems experienced with finalising the agreement." He confirmed that the South African partners were acting as one on the project and that the breakdown was between them and the Taiwanese.

The Columbus project involved Highveld and Samancor establishing a 300,000 ton-per-year stainless steel manufacturing plant for the production of hot rolled coil. Most of this would have been exported to Taiwan for further refining. Yieh Loong would have been responsible for the cold rolled product.

The development was considered a logical development in the process of adding value to South Africa's raw material exports. The country produces about half the western world's 3m tons annual output of ferrochrome.

Nickel, another basic ingredient of stainless steel, is a major byproduct of South Africa's platinum mines and is exported as a refined metal.

Middelburg steel is currently the country's only stainless steel producer. It produces approximately 110,000 tons a year compared to a figure for the whole western world in the region of 10m tons.

Mr Smith said the suspension of the agreement freed the South African parties to pursue alternative arrangements. He said delays were jeopardising the momentum of the project and that they needed "more irons in the fire."

If a better arrangement could be reached then the agreement with Yieh Loong would be cancelled.

He said the South African partners were still "very positive" about the project. "We have had quite unexpected calls from certain European parties who are interested in joining the joint venture. We have a wider range of alternatives than what we started off with and we are feeling a lot more confident than we felt a year ago."

He said the South African partners wanted progress to be as quick as possible. "We want to be in a position to take a decision and that's been one of our frustrations with the Yieh Loong group."

Assam dividend of 55% follows tea price rise

By Kunal Bose in Calcutta

ASSAM COMPANY, the world's oldest tea company which is 74 per cent owned by the UK international services and marketing group Inchcape, is to pay a total yearly dividend of 55 per cent for the year ended March 1991 on capital enhanced by a one-for-one bonus issue this January.

The company produced 15.5m kg of tea, at its 16 estates in Assam, against 12.15m kg during the previous nine-month period. Production would have been higher but for adverse weather conditions. Turnover for the year advanced to Rs680m ($38m) from Rs470m in the earlier nine months.

A sharp rise in gross profits to Rs230m from Rs113m was mainly due to a sharp increase in the price of tea, aided by market buoyancy and an improvement in the quality of the company's tea.

Assam Company, an established exporter of tea to the UK and West Germany, says it has gained a toehold in the highly competitive Japanese market and plans to expand into Australia, Singapore and west Asia.

Assam Company tops the Indian tea producers' league because of the high productivity of its estates.

Singapore Shipbuilding improves half-time results

By Joyce Quek in Singapore

THE recently-listed Singapore Shipbuilding & Engineering (SSE) has posted much improved half-time results.

Turnover and pre-tax profits jumped nine-fold to S$184.4m (US$105.4m) from S$20.4m and to S$4.5m from S$501,000 respectively, for the six months to the end of June. Net income rose to S$4.45m from S$2.9m, while after-tax profits more than doubled to S$5.8m, in line with its forecast of S$11m for the whole of 1990. The group's midway earnings per share rose to 3.6 cents from 1.6 cents.

The substantial improvement is due to a change in accounting policy which recognises sales on completion of contracts. At June 30 these include the retrofitting of two Singapore navy missile corvettes and several marine craft.

SSE said it would not be adversely affected by the Gulf crisis and expected to maintain its performance in the second half. Its order book stands at S$222m worth of contracts until the end of 1991.

Since SSE's listing on August 28, when 28.5 per cent of the group was floated, its shares have consistently traded at 10 per cent above the listing price of S$1.20 and its improved results at every level will help maintain the trend.

Malayan Banking sees fall

By Lim Siong Hoon in Kuala Lumpur

MALAYAN Banking, Malaysia's largest bank, has forecast a 1990-91 pre-tax profit of M$360m (US$134m), down 3 per cent from the M$371m it reported for the year to June.

The group's forecast was influenced by the prospect of narrower net interest margins, though deposits and loans are expected to continue growing.

At its present forecast profit level, the bank's gross profit per share is expected to be M$0.54, down from M$1.05 in the 1989-90 year. The lower share earnings followed a simultaneous rights and bonus issue, each to be issued, later this year, at one for every two shares held. This will double the group's capital base to M$751m.

The rights will raise M$945m to fund liquidity and to meet the 8 per cent minimum capital adequacy requirements at five of its financial subsidiaries.

INTERNATIONAL CAPITAL MARKETS

Gilts continue to bask in better-than-expected data

By Simon London in London and Janet Bush in New York

UK GOVERNMENT bonds continued to perform well following Monday's better than expected economic data. The benchmark 11¾ per cent 2003/2007 gilt closed up $\frac{3}{16}$ point on the day at 100$\frac{3}{16}$, to yield 11.692 per cent.

Dealers noted a marked increase in retail buying with the cash market out-performing the futures market, where the December futures contract closed at 83.10, up from 82.26 at Monday's close.

■ US Treasury bonds drifted lower during the morning in light trading as traders waited for any further news from the Middle East and on negotiations to cut the budget deficit.

At midsession, short-dated maturities were quoted as much as ⅛ point lower and the Treasury's benchmark long bond stood $\frac{3}{16}$ point lower for a yield of 8.98 per cent.

GOVERNMENT BONDS

Speaker of the House Mr Tom Foley said that there would be no agreement yesterday between the White House and Congressional negotiators on the deficit reduction plan.

He said that he was still convinced that there would an agreement in time to comply with the Gramm-Rudman law and that it could come this week.

There is little fresh news from the Gulf apart from the question of Iran and Iraq re-establishing diplomatic ties. However, the financial markets will be watching the address to the nation by President George Bush scheduled for yesterday evening.

Crude oil prices provided little prompting in either direction yesterday, with October futures traded on the New York Mercantile Exchange quoted two cents lower at $31.38 a barrel at midsession.

It seems likely that the Treasury market will continue to hover rather aimlessly, unless there are significant developments either in the Middle East or on the Budget, until Friday when a clutch of US economic data is due, including the August producer prices index.

There is still no sign of easier monetary policy. The Fed yesterday announced two-day system repurchase agreements, suggesting no change in its target for Federal funds.

■ JAPANESE Government bonds weakened in Tokyo, with the market unnerved by US press reports of military activity in the Gulf.

The benchmark No 119 issue closed the day on a yield of 8.35 per cent, after opening at 8.27 per cent.

Prices also fell following publication of the Bank of Japan quarterly survey of 7,000 leading companies, which showed the economy to be moving ahead at full steam.

This suggests that inflationary pressure is mainly of domestic origin and reinforced sentiment that the discount rate may need to move above the current 6 per cent level.

■ TRADERS in German government bonds reported one of the quietest days of the year so far, with volume extremely thin in the absence of economic data or concrete developments in the Gulf.

The benchmark 8½ per cent 10-year bund closed the day at 97.22 on a yield of 8.93, almost identical to Monday.

■ A RECOVERY in the French government bond market began at the end of last week, with the yield spread over German government bunds narrowing to 132 basis points yesterday on the benchmark 8½ per cent 10-year bonds, from a high of 143 basis points earlier this month.

Today's Budget announcement from President Mitterrand's Socialist Government may prompt a further rally, with switching into OATs out of cash and other European markets.

Dealers noted that the French Treasury auction of OATs last week was a relative success, especially compared with the German Unity Fund auction at which all bids were rejected.

"The fall in OAT prices has been overdone," commented Midland Montagu economist Ms Alison Cottrell. "If the Government continues to pursue long-term deficit reduction targets, both bond and equity markets should find support."

Before the Gulf crisis erupted, the spread between the French and German markets was around 104 basis points, suggesting there may be some way to go.

Inflation data from both France and Germany on Friday should consolidate a narrowing of spreads. Analysts suggest that the two countries' inflation rates will converge towards a rate of 3.4 per cent at the year-end.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	101-27	+4/32	12.45	12.43	12.66
		9.000	03/00	84-20	+13/32	11.73	11.71	11.79
		9.000	10/08	83-24	+18/32	11.10	11.09	11.19
US TREASURY *		8.750	08/00	99-10	-4/32	8.82	8.90	8.66
		8.750	08/20	97-27	-3/32	8.96	9.04	8.80
JAPAN	No 119	4.800	6/99	82.0180	-0.519	8.35	8.14	7.99
	No 130	6.700	06/00	92.7151	-0.664	8.03	7.75	7.50
GERMANY		8.500	08/00	97.1000	+0.030	8.95	9.00	8.85
FRANCE	BTAN	9.000	11/95	95.2340	-0.072	10.21	10.43	10.07
	OAT	8.500	03/00	89.3500	-0.080	10.28	10.42	9.89
CANADA *		10.500	07/00	98.2500	-0.200	10.79	10.77	10.60
NETHERLANDS		9.000	07/00	99.4800	-0.040	9.08	9.11	8.98
AUSTRALIA		13.000	07/00	97 8413	+0.108	13.43	13.57	13.49

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on September 11

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99¼	99¾	-⅛	9.18
ALBERTA PROVINCE 9 3/8 95	600	101	101⅛		9.11
AUSTRIA 8 1/2 00	400	93½	94	-⅛	9.57
BANK OF TOKYO 8 3/8 96	100	95	95½	-⅛	9.55
BELGIUM 9 1/8 92	400	100¾	101⅛	-⅛	8.70
BFCE 7 3/4 97	150	92¼	92¾	-⅛	9.38
BNP 8 5/8 94	300	98½	99	-⅛	9.05
BP CAPITAL 9 5/8 93	150	101⅞	102¼	+⅛	9.03
CANADA 9 96	1000	100	100⅜	-⅛	8.98
CARCO 9 1/4 96	650	98⅞	99⅜		9.50
CCCE 9 1/4 95	300	100½	100⅞	-⅛	9.08
COUNCIL EUROPE 8 96	100	94¼	94⅝	-⅛	9.30
CREDIT FONCIER 9 1/2 99	300	99⅝	99⅞	-⅛	9.55
DENMARK 0 98	250	48½	49	-⅛	9.59
DENMARK 8 1/4 94	150	97¼	97⅝	-⅛	9.11
ECSC 8 1/4 96	193	95	95⅝	-⅛	9.33
EEC 7 1/4 93	250	96⅛	97⅛	-⅛	8.73
EIB 7 3/4 96	250	93½	93⅞		9.23
EIB 10 97	250	103	103⅜		9.35
ELEC DE FRANCE 9 98	200	98⅛	98⅝	-⅛	9.34
EUROFIMA 9 1/4 96	100	100	100⅝	+⅛	9.23
EXPORT DEV CORP 9 1/2 98	150	100⅛	100½	-⅛	9.47
FINLAND 7 7/8 97	200	91⅞	92⅜	-⅛	9.62
FINNISH EXPORT 9 3/8 95	200	100½	100⅞	-⅛	9.24
FORD MOTOR CREDIT 9 1/2 93	300	100⅝	101		9.24
GEN ELEC CAPITAL 9 3/8 96	300	99¾	100⅛	-⅛	9.41
GMAC 9 1/8 96	200	99½	100	+⅛	9.22
HALIFAX 9 1/2 93	200	100⅝	101	-⅛	9.20
IBM WORLD TRADE 7 5/8 93	150	95⅝	96⅛	-⅛	9.25
IND BK JAPAN FIN 7 7/8 97	200	91⅝	92⅛	-⅛	9.63
INTER AMER DEV 7 5/8 96	200	92⅜	92¾		9.34
ITALY 8 1/2 94	1500	98⅛	98⅝	-⅛	8.98
JAPAN DEV BK 8 94	150	96¾	97¼	-⅛	9.05
KANSAI ELEC PWR 10 96	350	101⅞	102⅛	-⅛	9.55
LTCB 8 5/8 93	150	99⅛	99½	-⅛	8.99
NEW ZEALAND 8 93	100	97¾	98¼		8.93
NIPPON CRED BK 9 3/4 93	150	101½	101⅞		9.16
NIPPON TEL & TEL 9 3/8 95	200	100⅞	101¼		9.10
NORDIC INV BANK 9 93	200	100⅜	100¾		8.72
OLYMPIA & YORK 8 1/4 96	435	88¼	89¼	+⅛	11.12
ONTARIO HYDRO 11 5/8 94	200	105½	106⅛	-1½	9.74
OSTER KONTROLLBANK 8 1/8 93	200	98½	98⅞	-⅛	8.78
PRUDENTIAL RLTY SECS 0 99	365.216	45⅞	46⅛	+⅛	9.79
QUEBEC HYDRO 9 3/4 98	150	99⅞	100⅜	-⅛	9.77
QUEBEC PROV 9 98	200	96⅛	96⅝	-⅛	9.68
SAINSBURY 9 1/8 96	150	98½	99		9.46
SAS 10 99	200	99½	100⅛	-⅛	10.07
SBAB 9 1/2 95	500	101	101⅛	-⅛	9.21
STATE BK STH AUST 9 1/4 93	100	100⅛	100⅝	-⅛	9.14
SUMITOMO BK CAP MKT 9 3/8 93	150	100¾	101⅛	-⅛	9.07
SWEDEN 8 1/8 94	150	96½	97	-⅛	9.24
SWEDISH EXPORT 9 5/8 93	100	101¾	102⅛	-⅛	8.76
TOKYO METROPOLIS 8 1/4 96	200	94⅞	95⅜	-⅛	9.37
WORLD BANK 8 3/8 99	1500	94⅛	94⅝	-⅛	9.46
WORLD BANK 8 3/4 97	1500	98⅛	98½	-⅛	9.29
XEROX CORPN 8 3/8 96	100	93	94¼	+⅛	9.97

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	97	97	+½	8.92
AUSTRIA 6 98	400	83¼	83½	+⅛	9.16
CNT 6 1/8 98	200	82¾	83		9.24
CREDIT FONCIER 6 3/4 99	500	85⅛	85⅜	+⅛	9.24
DEUTSCHE BK FIN 5 5/8 96	750	84⅜	84⅞	+⅛	9.13
EEC 5 3/8 93	300	92½	92½	+⅛	9.09
EIB 6 1/8 96	300	86⅛	86⅝	-⅛	9.25
EIB 6 7/8 95	300	90⅛	90¾	+½	9.19
EUROFIMA 6 1/4 98	400	83⅛	83⅝		9 24
FELDMUEHLE FINANCE 8 99	200	92¼	92¾		9.18
FERRO DEL STAT 5 3/8 93	500	92½	92½	+⅛	9.04
IND BK JAPAN FIN 5 5/8 96	200	84¼	84¾		9.34
INTER AMER DEV 7 1/4 99	300	88⅜	88⅝	-⅛	9.16
LUFTHANSA INT FIN 5 7/8 98	500	82¼	82¼	+⅛	9.24
QUEBEC HYDRO 6 3/4 99	300	85⅛	85⅝		9.24
SWEDEN 6 1/8 98	300	83⅜	83⅞	+⅛	9.18
WORLD BANK 0 15	2000	13⅛	13⅝		8.21
WORLD BANK 5 3/4 96	300	85½	85¾	+⅛	9.21
WORLD BANK 7 1/8 95	500	93⅛	93⅝	-⅛	9.01

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	84½	85	+1	7.51
AUSTRIA 4 5/8 98	100	84½	85	+⅛	7.41
COUNCIL EUROPE 4 3/4 98	250	84½	85	-½	7.54
EEC 5 1/2 00	100	87	88¼		7.35
EIB 5 3/4 93	100	95	96	-1	7.60
FINLAND 5 3/8 95	150	95½	96	-¼	6.43
GENERAL MOTORS 7 1/2 95	100	102	102½	-½	6.97
JAPAN DEV BK 5 1/2 94	100	94	95	-½	7.54
MOUNT ISA FINANCE 5 3/4 94	100	87	88	-1½	10.16
NEW ZEALAND 4 7/8 99	200	82	83		7.88
POLLY PECK INTL FIN 6 1/4 96	100	75	80		12.87
QUEBEC HYDRO 5 08	100	75	76	-1	7.63
SKANDINAVISKA ENSK 6 1/2 95	100	96½	97½	+½	7.46
WORLD BANK 6 1/4 92	100	98	98½	-¼	7.31
WORLD BANK 7 1/4 92	100	100¾	101		6.79

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	89⅞	90⅛	-⅛	8.32
CANADA 4 3/8 92	80000	93⅛	94	-⅛	8.26
CREDIT FONCIER 5 1/4 94	20000	89	89½	-⅛	8 40
DENMARK 7 95	40000	95⅛	95⅝	-⅛	8.21
EIB 4 5/8 94	40000	88⅞	89¼	-⅛	8.26
GENERAL ELECTRIC 5 3/4 93	35000	94⅛	94⅝	-⅛	8.37
INTER AMER DEV 7 1/4 00	30000	95⅛	95⅝	-⅛	7.98
ITALY 5 3/4 92	150000	96⅛	96⅝		8.30
KANSAI ELEC PWR 4 5/8 94	60000	88½	88⅞	-⅛	8.41
NIPPON TEL & TEL 5 7/8 96	50000	90⅛	90⅝	-⅛	8 00
NORWAY 5 1/8 95	50000	88½	88⅞	-⅛	8.24
SWEDEN 5 5/8 95	20000	89½	90	-⅛	8.25
WORLD BANK 6 3/4 00	50000	92⅛	92⅝	-⅛	7.95

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92	93		9.82
KREDIETCORP 7 93 LFr	1000	93¼	94¼		9.77
WORLD BANK 8 96 LFr	1000	94	95		9.40
AMRO BANK 6 1/4 92 Fl	150	94¼	95¼		9.57

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Chicago to launch fresh long-term options

By Barbara Durr in Chicago

THE Chicago Board Options Exchange (CBOE), the world's largest options market, plans to launch its first long-term options on individual equities, called Long-Term Equity AnticiPation Securities (Leaps), on October 5.

Initially, put and call options with terms of up to two years will be offered on 14 blue chip equities. Currently, CBOE offers options on individual equities with terms ranging from two to eight months. Options on CBOE's Standard & Poor's 100 index run up to four months and on the S&P 500 index up to two years.

The options market has been moving toward a stretching out of terms because investors want long-term portfolio protection, traders say. Private brokerages have already been selling options over the counter with expirations as much as three years out.

The exchange says Leaps are designed to appeal to investors with longer horizons who do not currently use options. But in terms of the overall options market Leaps are expected to serve another purpose. Investors who purchase warrants from banks will now have a listed product against which to measure prices.

The Leaps will initially be offered on common shares of the following companies: American Telephone & Telegraph; Boeing; Bristol-Myers Squibb; Coca-Cola; Dow Chemical; Eastman Kodak; Exxon; General Electric; General Motors; International Business Machines; Johnson & Johnson; Merck; McDonald's; and Sears. For each share, the strike and call prices will be different and up to 25 per cent out-of-the-money. Leaps at these strike prices are likely to result in initial options prices of less than $10.

The Leaps will be for units of 100 shares per contract and can be exercised on any business day before or on the expiration date. Settlement is in shares. The first Leaps will expire in July, August or September 1992, depending on the expiration cycle of the underlying equities.

The CBOE plans to add a new Leaps series every six months.

Trading volume at record level

By Barbara Durr

THE Gulf crisis and the resultant financial uncertainty have pushed up trading volume in Chicago's futures and options exchanges to record levels as more institutions and investors are hedging to protect their assets.

The flurry of trading has boosted Chicago's claim to the throne as the world's premier centre of financial risk management.

At the Chicago Board of Trade August trading volume of 17.6m contracts topped its previous monthly record of 15.9m, set in June 1988. August trading at the CBOT increased 52.8 per cent of July and 26.1 per cent over August 1989. Last month's trading figure helped push up the year-to-date volume growth to 10.6 per cent.

At the Chicago Mercantile Exchange, August was also a record month, with total volume of 10.2m contracts representing an increase of 25.3 per cent over July and 9.4 per cent over August 1989.

The Chicago Board Options Exchange recorded its largest trading volume last month since October 1987. A total of 13.8m contracts, 7.4m puts and 6.4m calls, changed hands. Stock index options led the pace of trading.

The Standard & Poor's 100 contract rose to 7.5m contracts, up 32 per cent from August 1989, and a new monthly volume figure was set for the Standard & Poor's 500 options with a total of 1.3m.

Danes deny shares tax move

THE Danish Government has no intention of introducing a general capital gains tax on share transactions, Mr Poul Schlüter, the Prime Minister, said yesterday, writes Hilary Barnes.

Rumours have been circulating in Copenhagen that a capital gains tax would be used to help finance a planned 6 per cent reduction in the highest marginal income tax rate from 68 to 62 per cent.

There is currently a capital gains tax on shares held for less than three years. "The Government wishes to maintain the three-year rule and we can't be talked into a change," said Mr Schlüter.

He added that there were no plans to introduce a transactions tax on bonds, however.

OBITUARY

KEITH CALLAWAY
with much sadness the death is announced of Keith Callaway on September 10th 1990. The funeral will be held at Croydon Crematorium, Thornton Road on Friday 14th September at 3.30 p.m.

World Bank third global placing shows progress

By Tracy Corrigan and Simon London

PLACEMENT of the World Bank's third global bond issue progressed better than expected, given the generally lacklustre state of the market, though demand from the US is still expected to outstrip European and Far Eastern interest.

The $2bn of five-year bonds will be priced later today at 28 basis points to 32 basis points above the US Treasury yield curve. Deutsche Bank Capital Markets and Salomon Brothers are joint lead managers.

Demand in the Far East is likely to account for only 10 or 15 per cent of the issue, and not all of that stems from Japanese accounts, which have been buying few long-dated dollar bonds according to dealers.

Around half the issue is expected to be placed in the US and the remainder in Europe. Dealers said the clearing level in the US is a touch lower - about 29 to 30 basis points above the five-year Treasury - than in Europe.

As the World Bank's Yankee bonds still trade at a wider spread than comparable Eurobonds, this illustrates the level of interest generated by the global programme in the US.

The five-year maturity, in a market where there is finite demand, appears to have allowed the Bank to tap the largest universe of investors, including a reasonable share of retail investors in Europe.

INTERNATIONAL BONDS

In the D-Mark sector, the National Bank of Hungary brought a DM200m offering of 10 per cent five-year bonds via Deutsche Bank. The deal fell outside its two point fees to close at less 2.40 bid.

Paribas Capital Markets launched an Ecu75m issue for Toyota Motor Credit Corporation. The four-year 10⅝ per cent bonds are fungible with an existing Ecu150m issue.

Lack of supply in the sector has squeezed secondary market yields but some syndicate officials suggested that this deal was on the tight side.

However, the lead manager reported firm demand from European institutional accounts. The deal was quoted at less 1⅝ bid, a discount equivalent to full fees. On Thursday an auction of French government Ecu-denominated OAT paper will test sector demand.

Daiwa Europe unveiled two four-year equity-linked deals, for Daiwa Kosho Lease Company and Sumitomo Heavy Industries, both with indicated coupons of 5⅛ per cent.

Both deals were said to be performing well due to strong demand in the Far East. The Daiwa Kosho deal was trading at 102 bid and the Sumitomo Heavy Industries at 101 bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Sumitomo Heavy Ind.(a)‡	340	(5⅛)	100	1994	2¼/1½	Daiwa Europe
ANZ Banking Group(b)♠♦	200	(b)	100	2002	-	Merrill Lynch Int.
Daiwa Kosho Lease(a)‡	180	(5⅛)	100	1994	2¼/1½	Daiwa Europe
Nippon Credit Bk(c)†♦	500	(c)	100¼	2000	30bp	Nippon Credit Int.
Bank of Tokyo(d)†♦	800	(d)	100	2000	25bp	Bk of Tokyo Cap.Mkts
Kawasaki Steel Corp(e)‡♦	350	5	100	1994	2¼/1½	Nomura Int.
Uniden Corp(f)‡♦	120	5	100	1994	2¼/1½	Nomura Int.
D-MARKS						
Hungarian Nat.Bk(a)♦	200	10	100¼	1995	2/1¼	Deutsche Bk
ECUs						
Toyota Motor Cr.Corp(a)♦	75	10⅝	102.175	1994	1⅝/1⅛	Paribas Cap.Mkts.
FRENCH FRANCS						
In'finance Cr.Nat.(g)♦	800	12¼	100.775	1991	1/⅝	CCF

**Private placement. §Convertible. †Floating rate note. ‡With equity warrants. ♠Variable rate notes. ♦Final terms. a) Non-callable. b) Subordinated VRN issue. Average life 10 years (amortisation programme during last 5 years). Coupon pays initial spread 27.5bp over 3-month Libor. Alternative margin, years 1-5 Libor plus 60bp, years 6-12 Libor plus 70bp. c) Amount increased from $400mn. Coupon pays a spread of 3-month Libor plus 30bp from years 1-5, then Libor plus 40bp thereafter. Callable at par after 5 years & on each coupon date thereafter. d) Amount increased from $700mn. Coupon pays from years 1-5, 3-month Libor plus 25bp, then 3-month Libor plus 35bp thereafter. e) Coupon was indicated at 5⅛%. Conversion premium fixed at 2.56%. Non-callable. f) Coupon was indicated at 5⅛%. Conversion premium fixed at 2.5%. Non-callable. g) Amount increased from FFr600mn. Non-callable.

French investors keep calm despite Gulf

By George Graham in Paris

FRENCH mutual fund investors kept their heads last month despite the plunge in the Paris stock market following the Iraqi invasion of Kuwait.

Investors are estimated to have bought a net FFr400m of new units in equity mutual funds – small, but a far cry from the panic sales that some stockbrokers had been predicting.

French equity funds fell in overall value outstanding by 10.3 per cent to FFr125bn at the *end of August, according to* statistics from Europerformance, the French mutual fund monitoring service.

Bond funds seem to have suffered the biggest sell-off.

Customers with money to invest opted heavily for short-term money market funds, which saw net new pur*chases of around FFr33.1bn, as* savers sought a refuge from the uncertainties of the bond and equity markets.

Japanese show increasing interest in Europe

Robert Thomson reports on the moves by institutions to redirect their investments

JAPANESE investors, reversing the trend of the past decade, registered net sales of $8.9bn in US securities in the first half of this year, as institutions redirected investments toward Europe and attempted to cover serious losses suffered in the Tokyo stock market plunge.

Ministry of Finance officials said that figures just compiled on outward portfolio investment showed the first sustained net selling of US securities since 1982.

The officials suggested the selling had continued into the second half because higher Japanese interest rates and a stronger yen had reduced the lustre of US bonds.

The ministry's figures also showed that net sales of UK securities in the first half were $2.3bn, another sharp trend reversal, as Japanese had been net purchasers in the UK each year since the ministry began its present method of calculation at the end of 1980. But Japanese institutions indicated that they had a long-term interest in UK securities.

*For the first half, net pur*chases of foreign securities totalled $18bn, down from $45.3bn in the same half last year. But the shift away from US securities, which registered net purchases of $26.5bn in 1989, has important consequences for US fiscal policy and is a sign of the increased willingness of Japanese institutions to vary their investments.

The Finance Ministry estimates that bonds comprise about 90 per cent of the foreign securities portfolios, and emphasised that while Japanese had become net sellers of US securities this year, US securities trading still comprised about 78 per cent of the first half total of $1,493bn. However, this share is down significantly from the 84 per cent of last year and the 89 per cent of 1988.

"The US market has less appeal now for Japanese investors. There were problems early this year when the Tokyo stock market fell a long way, and life insurance companies and other financial institutions had a very large deficit in their trading on the domestic market. They sold US securities to cover their losses," a senior Finance Ministry official said.

*A month-by-month break*down shows that Japanese net sales in the US rose sharply in March ($4.2bn), just before the close of the Japanese fiscal year, and that net sales were also strong in April ($5bn) and June ($1.6bn).

Foreign brokers suggested that net selling of US securities this month had been significant, as Japanese institutions attempted to cover continuing Tokyo market losses before the end of the *fiscal first half.*

The Finance Ministry official said the appeal of Europe remained undiminished: "You can certainly say that Japanese are now more interested in Europe than in the past. There is interest in European unification, and with the present currency and bond rates the incentive to invest in the US is very low."

Despite the gloom among Japanese institutions early this year, Japanese trading of West German securities in the first half was almost double the same period last year, and the volume of trading in French securities was more than four times higher.

Mr Kenji Ueda, chief manager of international investment at Tokio Marine & Fire Insurance, the largest non-life insurer, said that domestic demand for money had slowed foreign investment: "We have to look after our old customers. Many financial institutions are in a tight position."

He said that it would be "very difficult" for Japanese institutions to maintain past purchase levels of US Treasury bonds, particularly with continuing expectations of a stronger Japanese currency, a generally weaker dollar, and only about 50 basis points between US and Japanese benchmark bond rates.

"Some institutions have taken a great interest in European currencies. There is a real pessimism about the US economy and the probability of recession, and if Japanese interest rates remain high, the return to the US market will be very slow," Mr Ueda said.

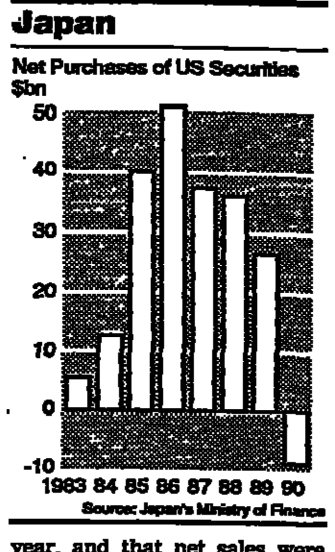
The present trend in capital flows puts added pressure on the US Government, which would like to lower interest rates, but would risk giving the new flow patterns even more momentum. The US economy remains dependent on Japanese *institutions, which have* routinely taken 30 to 40 per cent of issues at US Treasury bond quarterly refunding auctions.

Mr Kenneth Courtis, chief economist at DB Capital Markets Asia, suggested that Washington is uneasy about recent increases in Japan's official discount rate (ODR), which has been lifted by 0.75 per cent to 6 per cent, the fifth increase in just over a year.

"The capital flow is toward Europe, and this investment will continue to increase, but, at the same time, the US would *like to bring its interest rates* down. The pattern of international capital flows is going to look very different in the 1990s," *Mr Courtis* said.

Japan

Net Purchases of US Securities $bn



Source: Japan's Ministry of Finance

Schroders to advise on Czech privatisation plans

By Judy Dempsey

SCHRODERS, the UK merchant banker, which was recently appointed to advise the Polish Government on privatisation, yesterday expanded its role in eastern Europe. It was chosen to assist the Czechoslovak Government in drawing up plans for privatising sections of its economy.

The announcement coincides with a debate this week in the Czech federal assembly which is expected to discuss the Government's draft privatisation programme.

The first, and least controversial package, involves the sale of small shops, restaurants and workshops to the public.

The law is expected to be implemented on January 1. By *then, the second and third* phase of the privatisation – selling off stakes of the large industrial sector to the public and to foreign investors – should be in place.

However, some Czechoslovak economists and western investors remain sceptical about the Government's commitment to a full privatisation programme.

Schroders will also advise in setting up a privatisation office in Czechoslovakia as well as two ministries for privatisation in the Czech and Slovak republics.

The Czechoslovak Government will also be advised by Ernst & Young, the London-based accountancy firm, and Denton Hall Burtgin and Warrens, the legal firm.

Extending specialists and advisers to assist the newly emerging democracies of east*ern Europe is part of the Brit*ish Government's "know-how" fund. The grant to Czechoslovakia totals £450,000 ($830,000).

Terminbörse sets simulation date

By Katharine Campbell in Frankfurt

THE DEUTSCHE Terminbörse, the West German derivatives exchange, has announced that it will restart simulated futures trading sessions from October 1.

*The electronic options mar*ket had planned to launch its first two futures contracts this week, with a trial period from the end of July.

But when the new software was introduced on the first day of simulation, the entire system broke down, leading to a postponement of the launch.

No date has yet been set for *the start of formal trading, but* the DTB said simulation would last at least four weeks, with a fresh launch date fixed during that period.

The two new contracts are a future on German government bonds – a rival to the product traded successfully at the London International Financial Futures Exchange in London – and a future on the Dax, the equity index compiled from 30 blue chip German stocks.

The exchange has not revealed the problems found.

Australia to buy back $515m in bonds

By Stephen Fidler, Euromarkets Correspondent

AUSTRALIA yesterday announced it would buy back up to $515m of its outstanding foreign bond issues in the US, continuing the buy-back programme it started three years ago.

The offer, open until next Monday, covers six of the so-called Yankee bond issues and will be made at prices calculated daily based on fixed spreads over US Treasury benchmark bonds. The offer will be the final one for the six bonds.

The issues to be bought back are the 13⅝ per cent issue of 2007, of which $64.8m is outstanding at a spread of 45 basis points; the 12⅜ per cent of 2008 ($70.1m, 45 basis points), the 11⅝ per cent of 1993 ($98.6m, 35 basis points), the 9⅝ per cent of 2006 ($113.7m, 47 basis points), the 8⅝ per cent of 2017 ($68.0m, 47 basis points) and the 7⅝ per cent of 1997 ($99.8m, 42 basis points).

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Sep 11 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Sep 10 Index No.	Fri Sep 7 Index No.	Thu Sep 6 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	739.86	-0.2	15.22	6.29	8.04	25.75	741.67	737.41	737.12	996.54
2	Building Materials (26)	915.82	......	16.60	6.60	7.42	33.68	916.19	920.02	918.32	1172.34
3	Contracting, Construction (36)	1126.76	-0.8	20.33	7.27	6.39	42.06	1136.22	1145.50	1148.23	1588.61
4	Electricals (10)	2088.64	+0.1	14.10	6.41	8.67	64.89	2086.26	2070.55	2068.73	2964.75
5	Electronics (27)	1596.69	+0.2	10.35	5.03	13.09	55.67	1594.18	1570.86	1571.57	2270.63
6	Engineering-Aerospace (8)	437.09	+1.1	15.00	5.38	7.94	10.79	432.32	422.21	423.03	0.00
7	Engineering-General (46)	411.31	+0.3	14.54	6.30	8.29	14.87	409.99	407.91	408.13	0.00
8	Metals and Metal Forming (6)	418.85	-0.6	27.56	8.03	4.41	17.02	421.48	427.15	416.56	526.19
9	Motors (13)	303.48	+0.5	17.69	7.79	6.58	13.91	302.06	300.33	300.06	358.87
10	Other Industrial Materials (23)	1293.12	-1.3	13.26	6.19	8.72	40.92	1310.25	1296.76	1302.20	1823.10
21	CONSUMER GROUP (178)	1186.74	-0.2	10.38	4.29	11.90	26.11	1189.46	1172.59	1168.63	1391.40
22	Brewers and Distillers (22)	1471.70	-0.2	10.45	3.96	11.59	30.61	1474.75	1449.84	1433.25	1544.09
25	Food Manufacturing (20)	1012.06	+0.3	11.47	4.78	10.76	24.47	1008.96	995.27	992.49	1203.16
26	Food Retailing (16)	2405.29	+0.3	9.68	3.43	13.12	45.88	2397.29	2355.67	2363.39	2631.91
27	Health and Household (16)	2383.00	-0.9	7.41	2.91	16.06	29.07	2403.86	2331.62	2286.86	2681.52
29	Leisure (32)	1205.83	-0.5	12.40	5.19	9.75	36.39	1211.59	1194.44	1196.95	1826.93
31	Packaging & Paper (12)	504.78	+1.9	12.76	6.89	9.63	20.57	495.19	508.84	514.76	612.85
32	Publishing & Printing (16)	3072.65	+0.1	11.83	6.10	10.60	117.68	3068.90	3053.40	3066.51	3777.55
34	Stores (33)	752.27	-0.6	11.82	5.02	10.97	17.19	756.46	759.15	770.66	905.26
35	Textiles (11)	404.02	+0.1	15.09	8.90	8.35	19.76	403.73	409.27	411.20	583.64
40	OTHER GROUPS (107)	1024.96	+0.1	12.38	5.81	9.78	30.13	1024.06	1004.06	1004.35	1211.28
41	Agencies (16)	1230.23	-1.0	8.28	3.18	14.59	20.34	1242.82	1210.86	1204.94	1604.59
42	Chemicals (24)	1044.58	......	12.67	6.36	9.32	44.26	1044.55	1022.36	1025.27	1344.97
43	Conglomerates (15)	1380.58	+0.1	12.20	7.22	9.85	34.46	1379.72	1345.57	1370.22	1734.02
44	Transport (13)	1916.46	......	12.58	5.42	10.08	50.29	1917.07	1897.18	1916.56	2440.05
46	Telephone Networks(2)	1153.78	+0.7	11.60	4.88	11.21	26.09	1145.43	1125.42	1121.62	1177.56
47	Water(10)	1947.50	+0.4	15.83	6.95	7.10	68.12	1940.03	1896.18	1870.56	0.00
48	Miscellaneous (27)	1546.22	-0.4	13.60	5.86	8.44	61.26	1553.00	1527.53	1502.85	1912.00
49	INDUSTRIAL GROUP (480)	1031.55	-0.1	12.10	5.22	10.11	28.08	1032.93	1018.57	1016.98	1254.78
51	Oil & Gas (20)	2485.05	-0.1	10.04	4.98	13.03	72.16	2487.49	2498.72	2500.18	2266.86
59	500 SHARE INDEX (500)	1149.80	-0.1	11.77	5.18	10.50	31.65	1151.27	1138.72	1137.35	1340.66
61	FINANCIAL GROUP (107)	691.39	......	-	6.84	-	29.35	691.75	692.37	696.79	818.40
62	Banks (9)	740.10	-1.4	22.08	7.76	5.93	41.50	750.36	750.94	755.93	833.06
65	Insurance (Life) (7)	1313.22	+1.4	-	5.63	-	37.79	1294.81	1293.78	1296.33	1247.80
66	Insurance (Composite) (6)	581.58	+1.7	-	7.30	-	24.94	571.95	575.83	576.88	660.28
67	Insurance (Brokers) (8)	839.39	+0.2	10.18	7.65	12.95	39.82	837.49	836.08	834.15	984.47
68	Merchant Banks (7)	371.46	-0.5	-	5.47	-	11.93	373.46	376.23	381.57	404.71
69	Property (47)	918.08	+0.2	8.36	5.34	15.87	23.74	916.20	910.40	925.46	1365.87
70	Other Financial (23)	254.29	-0.1	10.68	6.98	12.31	9.88	254.45	256.48	255.55	369.78
71	Investment Trusts (66)	1058.40	-0.1	-	3.73	-	23.74	1059.14	1051.94	1056.01	1283.99
91	Overseas Traders (5)	1281.91	+0.5	10.87	7.14	10.98	59.65	1275.24	1262.79	1259.68	1524.91
99	ALL-SHARE INDEX (678)	1039.42	-0.1	-	5.38	-	30.76	1040.59	1031.07	1031.06	1214.44

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 10	Sep 7	Sep 6	Sep 5	Sep 4	Year ago
FT-SE 100 SHARE INDEX‡	2144.3	-2.7	2151.6	2137.5	2147.0	2122.9	2120.9	2152.2	2148.0	2397.6

FIXED INTEREST

	PRICE INDICES	Tue Sep 11	Day's change %	Mon Sep 10	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	116.59	+0.10	116.47	-	8.63
2	5-15 years	120.56	+0.46	120.22	0.22	9.65
3	Over 15 years	121.36	+0.53	120.72	-	9.84
4	Irredeemables	139.18	+0.36	138.68	-	8.85
5	All stocks	121.13	+0.34	120.83	0.11	9.41
	Index-Linked					
6	Up to 5 years	150.45	+0.14	150.23	-	2.46
7	Over 5 years	137.37	+0.36	136.87	-	3.12
8	All stocks	138.24	+0.35	137.76	-	3.06
9	Debentures & Loans	98.53	+0.07	98.46	-	8.62
10	Preference	73.55	-0.52	73.93	-	4.58

	AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 11	Mon Sep 10	Year ago (approx.)
	British Government				
1	Low	5 years	11.01	11.06	9.71
2	Coupons	15 years	11.01	11.06	9.32
3		25 years	11.01	11.06	9.23
4	Medium	5 years	12.06	12.11	10.67
5	Coupons	15 years	11.50	11.59	9.74
6		25 years	11.22	11.31	9.37
7	High	5 years	12.15	12.21	10.78
8	Coupons	15 years	11.76	11.86	9.94
9		25 years	11.50	11.62	9.53
10	Irredeemables†		11.13	11.18	9.28
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.59	4.64	3.07
12	Inflation rate 5%	Over 5 yrs.	4.30	4.32	3.51
13	Inflation rate 10%	Up to 5 yrs.	3.49	3.53	2.30
14	Inflation rate 10%	Over 5 yrs.	4.12	4.15	3.35
15	Debs &	5 years	14.16	13.93	13.05
16	Loans	15 years	13.06	13.10	12.05
17		25 years	12.82	12.83	11.41
18	Preference†		12.90	12.83	10.19

‡Opening index 2140.1; 9 am 2140.7; 10 am 2140.7; 11 am 2142.2; Noon 2142.9; 1 pm 2144.3; 2 pm 2150.6; 3 pm 2148.5; 4 pm 2144.3; 4.10 pm 2144.3; (a) 2.39pm (b) 9.28am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	77	3	17
Corporations, Dominion and Foreign Bonds	5	0	17
Industrials	235	377	954
Financial and Properties	116	119	503
Oils	15	21	52
Plantations	0	0	10
Mines	20	42	97
Others	77	34	133
Totals	545	596	1,783

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am't Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or -
[illegible]							
14	Nil	10/10	4pm	3pm	S.I. Group 5p	4pm	+½
5	Nil	-	3pm	2pm	‡Spectrum 5p	2½pm	
180	Nil	18/9	4pm	¼pm	Telfos 20p	1½pm	
16	Nil	25/9	2pm	¼pm	Wentworth Intl. Grp. 10p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ‡ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Aug. 28
- Last Dealings Sept. 14
- Last Declarations Dec. 6
- For settlement Dec. 17

For rate indications see end of London Share Service

Calls in Burton, Ferranti Intl., Hardy Oil & Gas, Next, Premier Cons. and Tuskar Res.

LONDON TRADED OPTIONS

Option		CALLS Oct	CALLS Jan	CALLS Apr	PUTS Oct	PUTS Jan	PUTS Apr
Alld Lyons (*477)	460	32	47	65	9	19	22
	500	10	28	42	30	38	40
[illegible]							

Option		CALLS Oct	CALLS Jan	CALLS Apr	PUTS Oct	PUTS Jan	PUTS Apr
Utd. Biscuits (*327)	300	29	43	49	4	9	12
	330	10	25	31	15	21	24
	360	3	12	19	40	43	45
[illegible]							

Option		CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
Abbey Nat. (*213)	200	15	25	32	2	5	9
	220	3	15	20	9	13	16
[illegible]							

UK COMPANY NEWS

Scientific instruments and pharmaceuticals help to raise taxable profits to £90.2m

Fisons lifts some gloom with 35% advance

By David Owen

FISONS, the peat-to-pharmaceuticals group, yesterday dispelled some of the gloom enveloping the current UK results season by reporting a strong 35 per cent advance in interim profits.

Though a portion of the increase arose from the inclusion of VG Instruments, the scientific instrument company acquired last December for £270m, there was also enough organic growth to generate a 20 per cent improvement in earnings per share. After faltering in early trading, the shares closed up 3p at 350p.

In all, pre-tax profit for the six months to June 30 climbed to £90.2m on sales of £582.9m, from just £67m on sales of £485.3m in 1989.

The Ipswich-based group managed to conjure up £1m (£1.2m) of finance income, in spite of ending the period about 30 per cent geared with net borrowings of £150m.

"We fully hedge our US balance-sheet and redeposit over here, getting the 4-5 per cent interest rate differential," explained Mr John Kerridge, chairman and chief executive. "We also had use of the rights issue money for a few weeks," he added. (Fisons financed the VG deal in part by a one-for-eight rights issue).

By business unit, the fastest growth was achieved by the scientific equipment division which raised profits by 79 per cent to £25m on sales up 27 per cent to £294.8m.

Mr Kerridge said that margins had improved primarily because of the VG purchase, but that the group had also "taken out" an unprofitable part of its US distribution operation, reducing six-monthly sales by about £15m. "We seem to have come through this early stage of the recession very well," he said.

Pharmaceutical profits were up 23 per cent at £60.6m on sales ahead from £214.2m to £246.5m.

The group said that its respiratory product Intal maintained its sales growth in key markets, while Opticrom, the eye allergy treatment, had "grown at a high rate in Europe in a low pollen season, and even more strongly in the US and Japan."

It was "in the very final phase" of securing full US approval for Tilade, a new respiratory product. In June, the Advisory Panel of the Food and Drugs Administration recommended the product for approval.

In Japan, the group now owns 65 per cent of Fujisawa-Fisons KK following agreement with Fujisawa Pharmaceutical to acquire an additional 15 per cent stake in the present joint venture. The group is in the process of rebuilding "block by block" its Loughborough research and development facility in a £100m project that will take a further four years to complete.

Trevor Humphries

John Kerridge: We seem to have come through this early stage of the recession very well

In spite of prolonged dry weather in Europe, horticultural profits increased by 38 per cent to £3.6m on sales of £41.6m.

The group again benefited from a low effective tax rate of just 22 per cent 21 per cent). "We actively manage tax," Mr Kerridge said.

Earnings per share amounted to 10.4p (8.7p). An interim dividend of 2.85p (2.35p) was declared.

See Lex

ECC plans staged withdrawal from housebuilding activities

By David Owen

ECC GROUP, formerly English China Clays, is to pull out of the housebuilding sector over the next three to four years.

The clays and aggregates producer said that the decision had been taken in order to concentrate on its minerals extraction and construction materials operations.

Sales of land holdings and houses are expected to yield in excess of £200m in cashflow income to the group over the wind-down period. "We will be effectively phasing out our current operations," said Mr Andrew Teare, recently appointed chief executive.

The move had been widely anticipated by analysts since May when ECC announced its intention to dispose of some non-core assets to raise at least £100m during 1990 and 1991.

In June, the company sold its 29.02 per cent stake in Bryant Group, the housebuilder and contractor, for just under £50m. ECC said that it now expects to raise some £300m from sales of existing businesses and by reducing its exposure to the UK homes market by the end of 1993.

The May announcement had been made in connection with ECC's $520m bid for Georgia Kaolin, which has about 25 per cent of the US china clays market. The purchase is subject to approval by US anti-trust authorities. Mr Teare said yesterday that the group was hoping for a decision "towards the end of this month."

In the year to September 30 1989, ECC Construction – the group's housebuilding division – made an operating profit of £38.9m on turnover of £53.9m. ECC said that the unit experienced difficult trading conditions "almost entirely throughout the financial year." This resulted in only 691 completions as opposed to 1,289 in 1988, the group said.

In its latest half-year results, ECC as a whole showed taxable profits down by 23 per cent from £66.3m to £50.9m.

The company said that the phasing out of its housebuilding activities will result over time in some 250 redundancies.

ECC also yesterday declared a second interim dividend of 13p on account of the 15 months to December 31 1990. This follows the group's decision to change its year-end from September 30 to December 31.

The shares fell 9p to 340p.

Nadir trust in £22m share sale

By Andrew Bolger

A TRUST of which Mr Birol Nadir, son of Mr Asil Nadir, chief executive of the controversial Polly Peck group, is the chief beneficiary, yesterday raised about £22m by selling its 28 per cent stake in Harland Simon, the specialist computer controls group.

The stake, comprising 4.8m shares, was placed by Hoare Govett and Beeson Gregory, Harland Simon's joint brokers, at 485p a share, a 15 per cent discount on the then ruling share price.

Harland shares closed 45p lower at 520p.

Last week Mr Asil Nadir spent about £11m buying 4m shares in Polly Peck, of which he is chairman and chief executive, raising his stake to 25.47 of the issued share capital.

Last month Polly Peck shares collapsed from 393p to a low of 245p after the Stock Exchange's quotations panel criticised Mr Asil Nadir for the way he broached and then withdrew a conditional approach to buy out other shareholders.

Polly Peck shares closed 10p down at 265p.

A spokesman for Polly Peck said that the sale of the Harland Simon stake by Mountain Dew, the Cayman Islands-based family trust, was nothing to do with Mr Asil Nadir or Polly Peck.

Asked whether the proceeds of yesterday's sale could be put towards the costs of Mr Asil Nadir's purchase of shares last week, the spokesman said: "I cannot comment on what the trust does with its money."

Mr Roy Ashman, chief executive of Harland Simon, said the shares had been quickly placed with a variety of institutional shareholders. He said the disposal of the Mountain Dew stake had been discussed extensively and he had been kept well informed. He added that the stake had always been friendly, never predatory.

Macro 4 up 20% in spite of currency fluctuations

By Andrew Bolger

MACRO 4, the computer software group, yesterday reported a 20 per cent increase to £7.35m in pre-tax profits for the year to June 30.

Cash balances fell by £1.34m to £7.75m. This was due to expenditure of £1.84m on its new office building and the acquisition of two software products, Vsamlite and Cmap, for respective cash considerations of £560,000 and £1.16m. It also spent £940,000 on acquiring its former West German agent and greatly increased its dividend payment in November last year.

Macro 4 said it remained cash generative and expected that the current year would see an increased balance at the year-end.

Mr Terry Kelly, chairman, said: "The year's results were affected by volatile and generally unfavourable currency movements, notably in the key US dollar-to-sterling exchange rates, and disappointing results from our German agent up to the date of our acquisition."

Mr Kelly said that, nevertheless, overperformance in the group and by a number of its agents partly mitigated those adverse factors and resulted in a satisfactory net result for the year.

He added: "The group continues to anticipate growth in all areas. Cash resources are adequate and currently expected to resume their pattern of growth after this year's exceptional net outflow. The base of installed rental products continues to grow internationally, as does the product range itself."

Turnover rose by 12.5 per cent to £14.78m, of which 76 per cent arose overseas. Earnings rose 19 per cent to 20.6p.

The proposed final dividend is cut to 5.2p (5.9p), but the total rises to 8.9p (7.8p).

TVS chief warns of job losses

By Raymond Snoddy

MR JAMES Gatward, chief executive of TVS Entertainment warned yesterday of further job losses as part of the company's bid to retain its southern England television franchise.

"The indications are it will be a much slimmer company that applies for the franchise," said Mr Gatward. In particular the company's regional production resources were too great, although he said it was not the company's intention to apply as a "publisher/contractor" commissioning rather than making its own programmes.

Final decisions have not yet been taken, but the signs are that a little over half the present 800 staff will survive in the bid for the 10 year franchise which runs from 1993.

Mr Gatward was speaking as TVS announced group profits before tax and exceptional items of £7.8m for the first half of 1990, compared with £13.4m for the same period last year.

"Before Exchequer Levy and Channel 4 subscription, we made £32m, compared with £30.4m in the corresponding period. This underlines the strength of the group in the face of difficult market conditions both in the UK and the US," Mr Gatward said. TVS had been hit by a change in Exchequer rules which placed most of the levy on revenues rather than profits.

The interim dividend is 3p (5p). The company has moved its accounting period to the end of December, but on an annualised basis last year's total dividend was 8.75p. TVS declined to be drawn on the size of the final dividend and warned that it saw little or no growth in advertising revenue in the second half.

TVS's US television production subsidiary MTM, bought in 1988 for $320m, made trading profits of £700,000 after a trading loss of £8.9m in the eight months to December.

After all its three new network productions were dropped last year, TVS said it has high hopes for "Evening Shade", a new comedy starring Burt Reynolds which opens on the CBS network next week. MTM also had 120 customers for 174 episodes of a cookery series featuring Graham Kerr.

The company also said it had signed a three-year agreement with Paul Haggis, a writer and producer of the popular "thirtysomething" series.

The company is confident that the losses at MTM will come down in the second half, but said it was too early to forecast a profit.

The troubles at MTM are one of the main reasons why the TVS share price has been languishing below 60p although Mr Gatward said yesterday: "I cannot understand the share price. It doesn't make sense."

Kleinwort Benson said yesterday it was now forecasting pre-tax profits of £11m for TVS for the full year.

The shares rose 3p to 57p.

See Lex

Adscene hit by adverse conditions

Adverse conditions affecting all categories of advertising revenue hit the Adscene Group in the year ended May 31 1990.

Pre-tax profit fell by 62 per cent, to £1.12m, and the dividend is cut from 6p to 4p, with a 2p final.

As market conditions deteriorated the company, which publishes and prints 37 local newspapers in Kent, London, and Lincolnshire, changed from "an acquisitive and expanding group" to one where costs were reduced including a 17% cut in jobs.

Earnings per share fell to 4.4p (12.4p).

Yorkshire Radio promises an improved performance

By Raymond Snoddy

MR MICHAEL Mallett, chairman of Yorkshire Radio Network, which is facing a hostile bid from Newcastle-based Metro Radio, wrote yesterday to shareholders promising improved profits.

In his letter, Mr Mallett said UK advertising revenues for the second half were expected to be up on the same period of 1989 and on the first half of this year.

The Yorkshire letter was immediately attacked by Mr Neil Robinson, managing director of Metro who said it was irresponsible of Yorkshire not to give shareholders a detailed profit forecast and full information on the current state of merger talks with Mr Owen Oyston's Trans World Communications.

Mr Robinson declined to comment, however, on whether he intended to raise the original Metro shares and cash offer, currently worth some £13m, for Yorkshire.

By Friday Metro had received acceptances covering only 1.4 per cent of its target's shares.

Metro has until Tuesday to raise its offer for Yorkshire.

NEWS DIGEST

Greenwich makes £5m cash call

GREENWICH Resources, the gold and precious stones exploration group, is raising £4.66m by a rights issue and a subscription by George Weston Holdings.

The two-for-five issue at 16p is underwritten by James Capel and will contribute £2.21m after expenses. The subscription will contribute £2.45m.

The group also plans to eliminate its net borrowings and to start acquiring the 2.65 per cent minority interest in United Goldfields Corporation, its Australian subsidiary.

Delaney raising £3.2m to cut gearing

Delaney Group, the shopfitter and furniture manufacturer, is proposing to raise a net £3.2m by way of a placing and open offer. The move is being made to strengthen the capital base and reduce gearing.

A total of 32.12m shares have been placed conditionally with Mr Nat Puri, chairman, at 10.5p per share. Shareholders are being offered the shares at the same price on a 3-for-2 basis.

Delaney's shares closed 1p lower at 11p.

At present Mr Puri and Melton Medes, in consortium, control 29.98 per cent of Delaney. This could increase to a maximum 71.99 per cent, with Mr Puri controling 61.84 per cent. The Takeover Panel has waived the requirement to make a general offer.

The interim results, reported earlier this month, showed a pre-tax loss of £524,000. The company has been under pressure to reduce borrowings which has resulted in the inability of the company to operate within present bank facilities.

Interest income helps James Beattie

James Beattie, the Wolverhampton-based department store operator, lifted pre-tax profits from a restated £2.77m to £3.02m in the half year ended July 31.

Although trading profit was a lower £1.49m (£1.55m) net interest received added £1.54m (£1.22m).

Directors said that the refitting of the Northampton store, to coincide with a scheme to update the whole of the Grosvenor Centre, was nearing completion, and disruption to profit had been minimal. Negotiations had also been successfully concluded with St Modwen Properties to open a new store in Burton upon Trent at the end of this month.

Net sales improved from £26.07m to £27.75m. Earnings per share worked through at 4.23p (3.89p) after tax of £1.06m (£970,000).

The interim dividend is raised to 1.4p (1.2p), but the directors said that should not be taken as an indication of the increase for the year.

Sunleigh shares give further ground

Ahead of its interim figures, due on October 24, Sunleigh has issued a trading statement in view of the recent fall in its share price.

Yesterday, the shares fell 7p to 24p.

Directors of the USM-quoted electronics group reported that the leisure products division was expected to achieve an interim trading profit broadly in line with last year, while the industrial side was expected to report a small trading surplus.

But the results would reflect exceptional provisions resulting from a management review of stocks, and exceptional costs of rectifying technical difficulties arising from production in the first quarter.

Pre-tax profits amounted to £1.4m in the first half of 1989.

Michael Page dips 14% to £2.77m

Michael Page Group, the recruitment agency, reported interim pre-tax profits down from £3.24m to £2.77m, a fall of 14 per cent.

Directors blamed adverse trading in the UK and Australia which was not made up by strong results from France and the Benelux countries.

Lockyer, Bradshaw & Wilson, the recruitment advertising agency, saw billings drop by 16 per cent for a loss in the period of £89,000, compared with a profit of £234,000. Conditions had deteriorated since June, directors said, and efforts were being to reduce the agency's cost base.

Group turnover increased 14 per cent to £29.53m (£25.94m). The pre-tax figure was struck after increased net investment and other income of £246,000 (£94,000).

Tax took £1.06m (£1.24m) and earnings came out at 2.78p (3.28p). The interim dividend is unchanged at 0.6p.

Precious Metals Trust nav lower

Precious Metals Trust reported net asset value down at 166.7p per share for the year to July 31, compared with 173.4p a year earlier. The nav slipped further to 164.9p at September 5.

Revenue before tax totalled £663,000 (£547,000), with investment income at £396,000 (£348,000), net interest receivable £271,000 (£194,000), loss on dealing activities £4,000 (£2,000 profit).

Tax took £128,000 (£116,000). Earnings per share worked out at 2.11p (1.29p).

A final dividend of 2p (0.55p) has been recommended.

UK COMPANY NEWS

Housing decline pushes Scholes down 31% to £6m

By Andrew Bolger

THE DOWNTURN in the housing market was blamed by Scholes Group, the electrical products manufacturer, when it reported a 31 per cent drop to £6.22m in pre-tax profits in the year to June 30.

Profits fell in spite of a 26 per cent increase in turnover to £60.5m.

This was mainly attributable to the contribution for almost six months from the industrial switchgear manufacturer Dorman Smith, which Scholes acquired for £11.25m in January.

Earnings per share were 11.2p (17p). The final dividend is maintained at 5.22p, giving an unchanged total for the year of 7.82p.

Scholes claimed its Wylex division had 45 per cent of the British domestic housing switchgear market and said the housing construction and refurbishment market was down by 50 per cent.

Wylex had made more than 150 people redundant during the year, the costs of which accounted for most of an exceptional item of £446,000.

Mr Reg Harrington, chairman and chief executive, said the acquisition of Dorman Smith had helped decrease the group's exposure to the domestic housing market from 90 per cent in 1988 to 45 per cent in the year just ended.

Two companies in the Dorman Smith division were involved in supplying equipment to a Dunlop tyre plant being built in Iraq, on which work had come to a sudden stop because of the Gulf crisis.

Scholes had included a provision of £120,000 in the exceptional item to cover the past year and said the maximum potential loss to trading profit arising from the contract would be £300,000 in the current year.

Mr Harrington said that from January his company would start to see the benefits of a joint venture in marketing which it had entered into with Asea Brown Boveri, the Swedish-Swiss electrical engineering group which took a 4.7 per cent stake in Scholes last year.

● COMMENT

Analysts give Mr Harrington and his team some credit for running hard to try to stand still in the current awful housing market, but the group continues to face a very uphill struggle until interest rates fall.

Even when they do, it will be some time before business comes through – first on refurbishments and even later on new houses.

The shift in exposure away from domestic housing obviously makes sense, but Dorman Smith will not be immune to the shock waves which are currently affecting the commercial property scene.

The shares yesterday closed 13p down at 117p.

Forecasts of a very modest growth in pre-tax profits to about £6.8m put them on a prospective multiple of just under 10 – not particularly cheap for shares exposed to such a sticky sector.

USDC assets rise

Net asset value at USDC Investment Trust was 205.4p at June 30, against 190.3p a year earlier. The interim dividend is unchanged at 1p.

AMS board recommends £8.9m Siemens offer

By Maggie Urry

THE BOARD of AMS Industries, which designs and makes professional audio equipment, is recommending a cash bid of 29p per share from Siemens Austria, a 74 per cent owned subsidiary of Siemens, the West German electrical group. The offer values AMS at £8.9m.

Directors, including Mr Mark Crabtree and Mr Stuart Nevison, the two founders of AMS, have given irrevocable undertakings to accept the offer for their shares which represent 74.2 per cent of the total.

The group had announced last month that it was in bid talks when it revealed an interim pre-tax loss of £375,000.

Siemens Austria said that AMS would complement its own sound and vision activities, and give it greater strength in the UK market. AMS would benefit from using Siemens Austria's wider distribution network.

There would also be scope for co-operation on research and development, manufacturing and marketing.

AMS was floated on the stock market in September 1985 at a price of 95p, giving the company an original capitalisation of £28.5m.

However, since then the group has struggled, with pre-tax profits falling from £3.1m in 1984-85 to £265,000 in 1987-88, although recovering to £509,000 in the financial year to end November 1989.

The shares had fallen to a low of 13p earlier this year. Yesterday they rose by 7p to close at 27p.

Mr Crabtree and Mr Nevison are taking an earn-out alternative to the cash offer, but will not receive more than 29p in total.

They will get a 12p per share cash payment initially and two more payments of up to 8.5p per share each.

For them to receive the full 29p per share, sales of AMS will have to rise from the £7.66m recorded in 1988-89 to £10.5m in the 1990-91 financial year and to £15.5m the following year.

Morgan Stanley International is advising Siemens Austria and Barclays de Zoete Wedd is is advising AMS.

NEWS DIGEST

Watmoughs ahead 18% to over £5m

WATMOUGHS (Holdings) saw pre-tax profits rise nearly 18 per cent in the first half of 1990, and the printer and publisher is looking for further progress in the second half.

From turnover ahead 23 per cent to £48.9m (£39.79m), profit worked through at £5.08m (£4.32m). Earnings were 14.22p (13.07p) and the interim dividend is lifted to 2.5p (2.083p).

In spite of the overall economic outlook and current difficulties facing the printing industry, there remained opportunities for the continuing growth of the group's specialist printing activities, directors said.

Interest charges in the half year rose to £1.29m (£466,000).

There was an extraordinary profit of £476,000 comprising profit on surrender of a leasehold property, less relocation and reorganisation costs.

Overseas earnings aid Bodycote

Improved overseas earnings helped Bodycote International, the metal technology, packaging and textiles group, raise pre-tax profits from £4.97m to £5.03m for the half year to June 30.

This marginal increase was recorded on turnover of £38.88m (£38.8m), with operating profits up by 3 per cent to £4.4m in the UK and by 41.5 per cent to £1.27m overseas. EHCO-KLM Kleding, its Dutch protective clothing subsidiary made particularly good progress.

The Manchester-based group declared an interim dividend of 3.25p (3p). Earnings per share worked out at 12.7p (12.5p).

Interest payable more than doubled to £635,000 (£294,000), while minorities accounted for £247,000 (£220,000). Tax took £1.62m (£1.7m).

Mr Joe Dwek, chairman, said the problem at Supercraft (Garments) had led to a gradual contraction, but in view of the trading prospects and losses incurred it was decided to discontinue the remainder of its activity.

All divisions help TT rise 32% to £4.64m

TT Group, principal operations of which are industrial fasteners and packaging, increased pre-tax profits by 32 per cent, from £3.52m to £4.64m, in the first half of 1990.

All divisions showed improved performance, with packaging in particular benefiting from increased production at Beatson Clark, the glass container manufacturing subsidiary.

Directors said recently acquired Crystalate had a disappointing record over the past three years, but it was anticipated that measures would be taken to enable that company to return to its former level of profitability.

Turnover rose from £27.52m to £32.58m, while operating profit moved up from £3.95m to £4.79m. Earnings per share were 6.1p (5.3p) and the interim dividend is raised to 2p (1.5p).

Ross back in the black with £0.4m

The Ross Group has seen rapid transformation since the new board was appointed last October, and it will continue to grow organically and by acquisition.

In the half year to June 30 this electronics and specialist packaging group which is the UK's leading headphone supplier, has returned to profit with £403,000 pre-tax, compared with a loss of £220,000 in the six months ended September 30 1989. And dividends are resumed with an interim of 0.5p.

Mr Noel Hayes, managing director, said the group had acquired Giltpack and Wesglade in Southampton, relocated the streamlined Ross Consumer Electronics business into its efficient warehousing operation at Southampton, and acquired two pallet manufacturing operations.

The consumer electronics division had obtained excellent listings, which promised well for the second half, and significant sales gains had been achieved in European markets.

Turnover in the half year came to £9.13m (£3.65m). Earnings per share were 1.7p (loss 5p).

Asda Property lower at £1.04m

Lower operating profits and higher interest charges left Asda Property Holdings showing pre-tax profits of £1.04m for the first half of 1990 – a fall of 73 per cent on last time's £3.92m. Turnover fell from £18.88m to £15.16m.

Directors said that the company had bought properties in the year which produced an average initial yield of 10 per cent with substantial increases expected in the next three years.

There was a nil tax charge (£1.36m) for earnings per share of 1.1p (3.7p). The interim dividend is maintained at 0.6p.

Hartons contracts sharply to £0.25m

Hartons Group, the plastics, PVC foam and spring assemblies group, reported pre-tax profits down sharply from £627,000 to £247,000 for the first half of 1990, on reduced turnover of £69.1m, against £78.8m.

The tax charge was £116,000 (£217,000) and stated loss per 5p share came to 0.1p, against 0.27p earnings last time. The interim dividend, however, is maintained at 0.1p.

Directors said VT Plastics, the company's largest subsidiary, had continued to re-assess its structure, while maintaining the level of service. Changes made this year and in 1989 had enabled the subsidiary to improve its performance in a weakening market and they hoped that this could be built upon in the second half.

The French and Spanish subsidiaries of VT Plastics produced improved results on higher turnover and further progress should be achieved in all these countries for the rest of the year. An improved performance was also expected in the second half from the US and Canadian subsidiaries.

Ennex returns to profit with $0.22m

Ennex International, the Dublin-based natural resources company, announced pre-tax profits of $218,000 (£77,000) for the six months to June 30 compared with a previous loss of $1.1m.

During the half year the underground exploration at the gold and silver property at Cononish in Scotland, was completed and the feasibility study initiated.

The study had now been completed, directors said, and they intended to file a formal planning application although a formal production decision had not yet been made.

Revenue fell to $520,000 ($1.62m) and expenses took $591,000 ($2.69m). There was a currency translation gain of $289,000 ($28,000 loss).

Tax took $5,000 ($4,000) and minorities nil ($38,000) to leave earnings per share for this USM-quoted company of 0.25 cents (1.27 cents loss).

Edmond down 26% as margins squeezed

Greater pressure on margins and increased finance costs resulted in a 26 per cent fall in interim profits of Edmond Holdings, the housebuilder.

The pre-tax outcome for the first half of 1990 declined from £1.99m to £1.48m. Turnover, however, increased 29 per cent to £9.44m, against £7.3m.

In the first half, 149 houses were sold, against 132 in the same period of 1989. Mr Andrew Naish, chairman, said that at present, house sales and reservations for the year amounted to more than 250.

Interest charges increased from £427,000 to £753,000. After tax of £502,000 (£656,000) earnings per 10p share were 1.93p (2.64p). The interim dividend is maintained at 0.65p – last year's final was 1.22p.

LEGAL NOTICE

To the Holders of Restructured Obligations Backed by Senior Assets, B.V.

Pursuant to the Indenture dated May 1, 1990, as amended and restated as of June 15, 1990, between the Issuer and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period September 10, 1990 to December 9, 1990, the rates applicable to the Secured Senior Floating Rate Notes and Secured Senior Subordinated Floating Rate Notes are 8.300% and 8.750%, respectively.

Cost cutting behind Delta's 8% advance

By Andrew Jack

AGGRESSIVE COST cutting helped Delta, the cables and engineering group, increase profits by 8 per cent in the six months to June 30 in spite of a fall in turnover.

Pre-tax profits rose to £46.1m compared with £42.82m while turnover declined by 3.5 per cent to £415.54m (£430.8m). Operating profits rose 9 per cent to £40.98m.

Earnings per share rose 1.6p to 18.9p. The board is increasing the interim dividend to 4.2p (3.9p).

The shares closed up 11p at 231p on the day.

"We always knew 1990 would bring pretty gritty trading," said Mr Robert Easton, chief executive. "The effect of acquisitions was marginal. We have applied aggressive cash management and cost reductions."

Delta announced nearly 500 redundancies worldwide during the first half, in addition to continued restructuring at Delta Crompton, the cables company in which it purchased a 60 per cent stake last year.

Sales in the UK declined 12 per cent to £220.89m, and also fell in the near and Middle East to £11.57m (£15.04m). They increased to £74.51m (£64.01m) in Australia and south east Asia, and to £63.53 (£56.01m) in western Europe. There were also slight increases in Africa and the Americas.

In cables, the company's largest division, pre-tax profits rose 18 per cent to £16.57m while turnover fell to £161.82m (£192.69m). A new product line of fire resistant cables and substantial reductions in raw material costs helped improve margins.

Engineering businesses, which manufacture plumbing products and brass components, improved modestly. Profits were up £30,000 to £10.63m on a turnover increase of £3.5m to £147.2m.

Industrial services, which services motors and provides mining equipment, also increased profit slightly to £12.28m (£11.74m) on turnover up to £103.9m (£100.17m).

Circuit protection reported profits of £8.94m (£8.38m) and a turnover of £58.4m (£54.92m).

Turnover in related companies reduced net turnover for the half year by £55.78m (£60.68m).

The interest charge rose to £2.33m (£1.92m).

● COMMENT

Delta caused investor pessimism to waver yesterday with a promising set of interims. Mr Robert Easton has been quietly orchestrating a restructuring of the former "metal basher." His major cost cutting strategy at Delta Crompton, acquired last year and partly owned by Hawker Siddeley, is now spreading through the rest of the company. A new set of higher value added products, including fire resistant cables and miniature circuit breakers, should also help make the company increasingly competitive over the next few months. The shares have been underperforming for some months based on a downswing in consumer demand and now housebuilding. Delta may be worse hit by the coming industrial and commercial building depression. But judging by current results and a gearing of 15 per cent, the company may well be poised to swallow some of its less fortunate competitors. On full year earnings of £95m, earnings per share of 39p give a multiple of 7.7.

Ashley Ashwood

Robert Easton: cash management applied as 'pretty gritty' trading was expected

Bunzl falls 25% to £30m as harsh trading conditions bite

By Andrew Hill

INTERIM PROFITS at Bunzl slipped by more than 25 per cent in the first half – from £41m to £30.4m before tax – as the specialist manufacturing and distribution company emerged from an 18-month programme of disposals into a difficult market.

Harsh trading conditions, particularly in the plastics and cigarette filter manufacturing operations, cut trading profits from continuing businesses to £32.7m (£40.1m).

The group maintained its interim dividend at 2.6p, in spite of the drop in earnings from 6p to 4.3p per share.

Mr James White, chairman and chief executive, said yesterday: "The concentration on only four businesses, compared with nine or 10 last year, is beginning to give me more confidence for the future of the group as a whole."

The group – which bought companies at a rate of about two a month from January 1986 to early 1989 – has now slimmed down to just four divisions: paper and building materials on the distribution side, and cigarette filters and plastics in manufacturing.

Some £103m has already been received from the £125m total raised by the disposal programme, helping to reduce borrowings from twice shareholders' funds to about 55 per cent.

The cigarette filter operation was hit by a slump in Chinese business, following last year's internal upheavals in the country, and profits more than halved to £5.4m (£12.3m). The plastics division trading profits fell to £3.9m (£5.8m).

In distribution, the paper division's profits were almost static in the six months to June 30, up just £500,000 to £23.5m, on sales of £519m (£558m); building materials actually raised profits to £2.8m (£2.5m), but Mr White said the industry was at its lowest point for the last eight years.

Group turnover fell from £835m to £764m, although the 1989 figure included £131m of discontinued activities.

● COMMENT

The City is not exactly convinced about Bunzl's new refocused strategy. On Monday the group's shares slipped 10p to 60p on fears that Bunzl might have to reduce its interim dividend; they recovered to close at 69p yesterday but the nervousness is hardly a good omen.

Mr White claims the largest operation – paper distribution – is resistant to cyclical downturn, and it was backed at the half-year by a strong performance from the fine paper distribution business in Europe. But analysts are sceptical about the quality of earnings from the other businesses: they are in relatively mature sectors, far from invulnerable to the downturn, as yesterday's figures showed.

A pre-tax profit of about £60m this year would put the shares on a prospective p/e of about 8 times, and on the interim payout alone, Bunzl is yielding 5 per cent. The prospective yield based on a maintained full-year dividend approaches 11.5 per cent, but there are certainly safer ways to get that sort of return.

Third chairman this year after reshuffle at Holmes Protection

By Andrew Hill

MR TOM MAYER, who used to head Thorn EMI's security interests, is to become the third chairman of Holmes Protection Group this year.

Mr Mayer, an ex-director of Thorn, is joined on the board of the New York security company by Mr Peter Jones, a former partner with Laing and Cruickshank, the stockbroker.

Mr Jones's appointment as a non-executive director comes exactly a year after he was nominated as an independent director of the company by Wormald International, the Australian fire protection company which is Holmes's largest shareholder.

Boardroom upheaval is becoming a way of life at Holmes but the appointment of Mr Jones may help ease tension between another non-executive director Mr Eric Kohn, who works for Wormald's advisers Barons Financial Services, and joint chief executives Mr David James and Mr John Flack.

Mr Kohn, backed by institutional shareholders, is thought to have pressed for more non-executive directors on the Holmes board. Both yesterday's appointments are subject to confirmation at Holmes's annual meeting, a date for which has yet to be fixed.

Wormald, which owns 14.7 per cent of Holmes, has been trying to give Holmes a new direction since last September after 1988 profits slumped at the New York company, which has its only share listing in London. The new management is trying to restore Holmes' financial health through a series of asset disposals.

Mr Mayer, formerly chief executive of Thorn's electronics, telecommunications, software and security businesses, succeeds Mr Ernest Potter, who was appointed in January and resigned in June for family reasons.

Mr Potter's predecessor was Mr Brian O'Connor, who resigned as a director in April, along with former vice chairman Mr Tom Forrest, under pressure from Wormald.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange.

TODAY

Interims- Abbott Mead Vickers, Aspen Communications, BTR, British Aerospace, Burford, Calor, Erith, Gowrings, Hall Engineering, More O'Ferrall, Nurdin & Peacock, Prudential, RTZ, Ratners, Readymix, Savoy Hotel, Severfield Reeve, Tibbett & Britten, Try, Wembley, Wilkes (James), Wyevale Garden Centres.

Finals- BZW Conv Inv Trust, Community Hospitals, Kleinwort Smaller Co's Inv Trust, Northern American Gas Inv Trust, Northern Ind Improvement Trust, Orchid Technology, Primadona.

FUTURE DATES

Interims-

British Gas	Nov. 22
Clifford Foods	Sep. 25
Dinkie Heel	Sep. 21
FBD	Sep. 28
Folkes	Sep. 28
IPECO	Sep. 25
Laporte	Sep. 20
SD-Scicon	Sep. 19
Taveners	Sep. 20
Triton Europe	Sep. 17
Watts Blake Bearne	Oct. 1
Young & Co's Brewery	Nov. 20

Correction

Stakis

The chain of Firkin pubs acquired this week by Stakis from European Leisure had net assets of £8.5m on September 30 1989, and not as stated in yesterday's Financial Times.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Adscene	fin	2	Oct 24	4	4	6
Aeda Property	int	0.6	Nov 1	0.6	-	1.75
Beattie (James)	int	1.4	Nov 1	1.2	-	5
Bodycote Intl	int	3.25	Dec 31	3	-	8
Bunzl	int	2.6	Nov 1	2.6	-	5.9
Colorgraphic §	int	2	Nov 9	1.84	-	6.7
Delta	int	4.2	Dec 3	3.9	-	13.2
Edmond	int	0.65	Nov 12	0.65	-	1.87
Fisons	int	2.85†	Jan 2	2.35	-	6.2
Hartons	int	0.1	-	0.1	-	0.2
Hewitt (Fenton)	int	1	Nov 1	1	-	2
Home Counties	int	2.75	-	2.5	-	8
Macro 4	fin	5.2	Nov 12	5.9	8.9	7.8
Page (Michael)	int	0.6	Nov 14	0.6	-	1.8
P&O	int	13.5	Nov 7	12.5	-	29.5
Precious Metals	fin	2	-	0.55	2	0.55
Ross Group §	int	0.5	-	nil	-	nil
Scholes	fin	5.22	Nov 12	5.22	7.82	7.82
TT Group	int	2†	Oct 10	1.5	-	4
TVS Entert'ment	int	3	Nov 14	5	-	10‡
USDC Inv Trust	int	1	-	1	-	3.85
Walmoughs	int	2.5	Nov 5	2.083*	-	8.54*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡For 14 months.

TECHNOLOGY

Drugs go directly to the doctor

EVANS MEDICAL, one of the historic names in the UK pharmaceutical industry, is to market drugs directly to family doctors for the first time.

A salesforce of 40 this month began selling Coracten, a treatment for hypertension (high blood pressure) and angina (chest pain), which Evans bought earlier this year from SmithKline Beecham, the Anglo-American pharmaceutical group.

Coracten is a new "sustained release" formulation of nifedipine, the drug prescribed most frequently to reduce blood pressure (and one of the five best selling drugs of any sort in the UK).

The drug is incorporated in a Spansule, a capsule containing many layers which gradually dissolve away in the stomach. This gives the patient a steady level of nifedipine and avoids the peaks and troughs that are inevitable when the drug is administered through conventional pills.

Nifedipine was originally developed by Bayer, the German pharmaceutical company, in the early 1960s. It is the leading member of a group of drugs called calcium channel blockers, which act by limiting the "slow channel" influx of calcium into the heart and smooth muscle.

Bayer's main patents on nifedipine expired recently and a number of competitors have started to make generic (unbranded) versions of the drug. But Bayer's branded version, Adalat Retard, retains most of the market and Bayer is expected to launch soon its own sustained released nifedipine.

About half of the UK population over the age of 40 suffers from high blood pressure. Some £300m a year – around 15 per cent of the nation's drug budget – is spent on treating hypertension. According to Stewart Adkins, pharmaceuticals analyst with Lehman Brothers in London, Coracten has a chance of achieving £5m a year in sales within three to five years.

Evans, established in 1809, has specialised in vaccines, hospital medicines and generic drugs.

Clive Cookson

Lynton McLain describes developments in airline security since the Lockerbie disaster

The flight path to safer skies

Putting the pieces back together: a reconstruction of the front fuselage of Pan Am flight 103

The pressing need for higher security for airlines and airports is underlined with the publication yesterday of the report by accident investigators into the Lockerbie disaster. A total of 270 people were killed when a terrorist bomb blew up a Pan Am Boeing 747 jumbo jet over the small Scottish town on December 21 1988.

The disaster led directly to the development and experimental use of the most advanced technology ever used for the detection of explosives: thermal neutron analysis. For the first time artificial intelligence has been harnessed to help defeat the terrorist. The neutron device uses a new type of artificial intelligence, known as an artificial neural system.

Artificial neural systems involve computer software and hardware able to make judgments. In explosives detection, these judgments are about the accuracy of the machine's analysis of substances in a suitcase at an airport.

Several thermal neutron analysis machines are being tested by airports in the US and at Gatwick airport, London for the US Federal Aviation Administration. This is one of the first industrial application of an artificial neural system, according to Hadi Bozorgmanesh, the vice-president in charge of marketing the thermal neutron analysis machine developed and made by Science Applications International corporation, of San Diego, California.

The emphasis on explosive detection contrasts with what the accident investigators say could be a new approach in defeating terrorists. They believe it is worth studying the possibility of building aircraft to withstand mid-air explosions.

Investigators were able to determine that the explosive device that brought down the airliner had been loaded about 25 inches inboard from the skin on the lower left side of the fuselage. Further developments in technology since Lockerbie will enable investigators of any similar future disasters to identify precisely which suitcase was in the vicinity of the explosion, if it should get through the technologically tightening security cordon at airports.

This suitcase tracing technology is being tested this week in Dallas, where Boeing Airport Equipment is developing a system for BAA to be used by British Airways and other airlines at Terminal 4 at Heathrow Airport in London.

The first part of the Omnix bar-code suitcase tracing equipment will be installed in November.

Paul French, the British Airways project leader, says the prime aim of the equipment is to speed the sorting of baggage, but it has obvious security benefits. Four laser scanners from Accusort of Pennsylvania can read the bar-coded baggage tag from any angle as the baggage goes towards the aircraft on a conveyor belt. A bar reading computer keeps track of each suitcase and is linked to the British Airways central booking computer, which contains a "profile" of each passenger.

The profile contains information useful for security purposes, such as the journey history of a transit passenger and how he or she paid for their ticket. Passengers paying cash and their baggage are monitored especially closely as there is less information known about them.

Most current anti-terrorist technology, such as sniffer machines and X-rays, concentrates on detecting explosives before they get on board an airliner, rather than making an aircraft resistant to explosives. This is despite an earlier call by the Indian Government for stronger bulkheads to separate the forward luggage hold of Boeing 747s from the airliner's flight system, after a terrorist explosion destroyed an Air India Boeing 747 over the Irish Sea in 1986.

This emphasis on detecting explosives before they get on board an aircraft is not surprising. Geoffrey Bray, the managing director of Ai Cambridge, which makes sniffer devices for airport security, says "terrorists see airports quite rightly as high profile targets."

These are "sophisticated terrorists with the backing of governments and they get sophisticated equipment," Bray says. Sophisticated equipment is needed to counter the sophisticated and determined terrorist.

The US Congress mandated the FAA to develop technology to detect all explosives, especially the difficult to detect plastic explosives such as Semtex, which has been used in many terrorist campaigns.

Explosives are conventionally detected by machines which sniff for vapours given off by the explosive substances. The problem with plastic explosives is that they give off little vapour and can be moulded to make them difficult to detect by X-ray machines. Bray of Ai Cambridge says some chemical sniffers under development "heat baggage so that more vapour is given off to increase the detection rate."

Science Applications International has made six thermal neutron machines for the FAA – under test at JFK Airport, New York, Miami, Gatwick, Washington, Dulles Airport and a Middle East airport. The sixth machine is to go either to a continental European airport or to Dallas or Baltimore in the US.

The machine works by injecting neutrons from a small radioactive source into a chamber where baggage passes on a conveyor belt. The neutrons hit all material in the luggage and cause explosive substances to emit characteristic gamma rays. These are detected elsewhere in the machine and the spectrum of signals is sent to the artificial neural computer for judgment.

Bozorgmanesh says "the characteristic gamma rays from explosives are matched to known characteristics of explosives contained in the software." The judgment comes in when the artificial neural network has to decide, for example, between something that "looks like an explosive but it not, and something that does not look like an explosive but is an explosive."

The system has had its teething troubles. The FAA said the equipment had to be able to detect X grams of explosives. This classified amount was subsequently reduced to "half of the amount that was used to blow up the Pan Am Boeing 747 at Lockerbie," he says.

The machines were designed and built with a specific level of false alarms that became "unacceptable" at the much higher sensitivity level required by the FAA.

The Department of Transport says that there are also problems with the thermal neutron analysis machine it has been testing with the FAA at Gatwick since July. It takes one and a half hours to fully check the load of a Boeing 747 and the rate of false alarms has increased as the sensitivity of the machine is increased, the department says. "If there are too many false alarms people will ignore them."

Some observers have asked whether or not the expense of such a sensitive machine is worthwhile, "when there are no public cases of explosives being detected."

The cost of security at airports and on airlines is borne mostly by the passenger. BAA, which owns seven UK airports including Heathrow and Gatwick, says its security and safety operations cost £96m in 1989-90.

It is permitted by the Government to pass on to its airline customers, and hence the passenger, 75 per cent of the additional cost it has already had to bear to introduce several mandatory security measures demanded by the Department of Transport since Lockerbie.

Gyroscope finds the way to new spheres

Gyroscopes used to be so expensive that the only industries that presented viable applications were aerospace and defence. But a new design of gyroscope has been developed which is not only much cheaper but also smaller and more reliable.

The device might in future be small enough to be attached to a bullet, and work is in progress to incorporate it into an electronic chip. The first examples of the new design are being fitted to a team of cleaning robots built for the Paris metro system.

A gyroscope is a device for finding direction in space. It is traditionally used by submarines and aeroplanes for navigational purposes. The classic design is based on the concept that when a rapidly spinning wheel is displaced, it experiences what is known as a Coriolis force (try setting a bicycle wheel spinning and then tilting it with it still spinning). By measuring the force or torque on the spinning wheel, it is possible to calculate the wheel's angular displacement in space.

The disadvantage of the classic design is that it contains several mechanical parts which are small and fragile. The product is not easy to manufacture, hence the high cost, and its reliability is poor. Engineers have studied alternative gyroscopes for a long time but the only one to meet with any success until now is a laser-based design. Its main advantages are robustness and sensitivity: cost and precision are the same.

Now emerging from a French instrumentation specialist is an acoustic gyroscope. The principle is to measure the waves generated by the displacement of gas molecules. The device consists of a sealed enclosure the walls of which are fitted with wave generating and detecting equipment. On one wall, a piezoelectric oscillator excites the gas molecules. On the facing wall, a conventional electronic microphone detects the excitation. The frequency of oscillation can be varied and, for the purposes of the gyroscope, the resonant frequency of the cavity must be attained so that a stationary wave is set up between the oscillator and the microphone.

When the device is set into motion, a force similar to the one experienced by the bicycle wheel is generated perpendicular to the standing wave, setting up further acoustic waves. These are detected and measured by microphones on one or more faces of the cavity, and the result is a calculation of the speed of displacement. By changing the type of gas enclosed in the cavity, the pressure of the gas and the size of the cavity, the performance of this form of acoustic gyroscope can be optimised for different applications.

The current models offer a sensitivity ranging from 3 deg/hour to 2,000 deg/second. The company which has come up with this idea is Badin-Crouzet, a subsidiary of Sextant Avionique, the company formed last year through the merger of a number of subsidiaries of Aerospatiale and Thomson-CSF.

According to Henri Leblond, Badin-Crouzet's director of research and development, the new acoustic gyroscope increases the reliability by a factor of 10 due to the absence of moving parts. The mean time between failure has increased from 2,000-3,000 hours to 20,000 hours. At the same time, the cost is significantly reduced though this is not easy to quantify as each application is different.

Leblond does not rule out the possibility of the price of an acoustic gyroscope reaching FFr300 (£30), the upper limit for uses in the automotive field. A study by Renault has shown that by fitting such a device to cars, passenger safety could be improved. The gyroscope's task would be to detect rollover and to activate secondary security devices such as automatic seat belt locking and door unlocking.

In the military field, the acoustic gyrometer has special advantages. It is the only gyroscope available, according to Leblond, that can withstand the 20,000g acceleration to which weapons such as bullets, missiles and shells are submitted. It is also the only gyroscope suitable for subminiaturisation. Development of a silicon chip incorporating all the electronics and the acoustic cavity is under way so that eventually gyroscopes will form part of "smart" devices fitted to weapons to automatically keep them on target.

Anna Kochan

COMMODITIES AND AGRICULTURE

Venezuelans ask US for help to expand petroleum industry

By Joseph Mann in Caracas

THE Venezuelan government has asked the Bush Administration to help finance major expansion projects for its petroleum industry and to encourage American companies to invest in Venezuela's oil sector.

In a recent meeting with officials of the US Department of Energy in Washington, Venezuela's Minister of Energy and Mines, Mr Celestino Armas, called on the US Government to help secure American investment and financing for costly projects in oil exploration, the expansion of crude oil production capacity and the construction of two new oil refineries in the South American republic.

The Venezuelan minister said the country required outside financial help for these projects, and that much of the future oil exports they generate will go to the US market.

Venezuela's national oil company, PDVSA, currently expects to invest about US$24bn before the end of 1995 in oil and petrochemical projects, but needs to cover 25 per cent of the total with outside financing.

PDVSA produces more than 2m barrels of crude oil per day and is planning a 25 per cent output increase by December of this year to offset part of the deficit resulting from the blockade of oil exports from Iraq and Kuwait. The Venezuelan company plans much larger increases in production capacity over the next five years. These alone will cost an estimated $8bn.

Most of Venezuela's oil exports go to the US. Venezuelan oil men expect America to remain their most important market for the foreseeable future.

Earlier this year, the government of President Carlos Andres Perez talked with US officials about establishing a "hemispheric oil reserve" in Venezuela. A US official in Caracas said that, although the Venezuelans did not go into detail, they presumably want the US Government and American oil companies to help finance this reserve.

In their discussions with the Americans, Venezuelan officials are stressing the advantages of using more oil from their country in the future, as opposed to continued US reliance on Middle East petroleum.

For example, the Venezuelans point to their proximity to US ports on the Gulf of Mexico which are approximately 3.5 days' sailing for oil tankers, their large reserves of crude oil and natural gas, and their record as a stable democracy and reliable oil supplier.

During the 1973 Arab oil embargo, Venezuela, a member of the Organisation of Petroleum Exporting Countries (Opec), increased oil shipments to the US.

Bush lobbied on Soviet credits

By Nancy Dunne in Washington

THE US farm lobby is urging the Bush Administration to waive provisions of a US law denying food credits to Moscow in response to Soviet grain shortages and to the threat of EC competition.

While acknowledging that such a waiver is possible, the Administration is still hoping that the Supreme Soviet will codify an emigration law, perhaps as early as this week, thus clearing the way for Most Favoured Nation's status and US Agriculture Department food credits.

The Soviets have asked for $2bn in food credits.

Mr Cooper Evans, President Bush's special assistant for agriculture, told the US Feed Grains Council in a letter last month that the President believes the codification will occur soon.

"Unless the food situation in the Soviet Union deteriorates dramatically, the President is most likely to wait for codification before granting any type of waiver."

That, however, was before the current bread shortage, which has raised alarm here about the stability of President Gorbachev's government. Mr Duane Jones, chairman of the Feed Grains Council, last week wrote to President Bush to emphasise the urgency of the shortage.

"The Soviets need grain, and they need it soon," he said. "Without credit guarantees, the lack of hard currency will force them to curtail imports and to seek other sources. US farmers will lose one of their largest markets."

The President was also urged to grant credits by the National Association of Wheat Growers and the US Wheat Associates, which contended that "the competition is prepared to offer credits, and we simply cannot afford to lose our ability to compete in the Soviet market."

In 1989, the Soviet Union was the largest exporter of US grain with purchases of $5bn. Now, however, the Agriculture Department's Foreign Agriculture Service, is warning of a slowdown in purchases of grains and oilseeds over the past three months.

By the end of August, Moscow had bought 16.48m tonnes of feed grains, compared with 16.8m at the same time last year. No soyabeans have been purchased since June. Sales of subsidised wheat have picked up this summer compared with last year.

Meanwhile, the US may have to increase bonuses to exporters under the Export Enhancement Programme to counter European Community trade subsidies, says to Mr Clayton Yeutter US Agriculture Secretary, Reuter reports from Washington. In a letter to Rep. Dan Glickman (D-Kans.), Yeutter said recent bonuses were far higher than a year ago.

Prices for platinum continue to fall

By David Blackwell

PLATINUM prices continued to tumble to the lowest levels for more than two-and-a-half years in both London and New York yesterday.

On the London bullion market the price at one stage fell below $450 a fine ounce. The afternoon fix was $454.25 and the market closed at $459.25, a fall of $12 on the day.

Futures prices on the New York Mercantile Exchange (Nymex) were easier at midsession yesterday after plunging on Monday by the exchange's limit of $25 an ounce.

Gold in London was also down as tension over the Middle East crisis relaxed following the weekend's US/Soviet summit. It closed at $381 a fine ounce, a fall of $4.25.

Platinum's fall started on Monday in Japan, where market weakness following the weekend's US/Soviet summit fed through to the European and US markets, according to Mr Brian Nathan of Ayrton Metals. "People found themselves selling into a vacuum," he said yesterday.

Japan is the biggest consumer of platinum, which it uses both for automotive catalysts and jewellery. The country has been a good investment market for the metal in the past, but not recently.

Ms Rhona O'Connell, precious metals analyst with Shearson Lehman Hutton, estimates that total supplies of the metal this year, including scrap recovery and Eastern bloc trade, will be 3.6m ounces, about 160,000 ounces above demand. "It needed investment demand to keep the price up," she said. Instead there has been liquidation in Japan recently to raise money to cover stock market losses.

Traders also fear that if the Western economies move into recession because of the Gulf crisis, industrial demand for platinum will be hit along with the automotive sector. Fewer cars being sold, combined with less use of existing cars because of high petrol prices, are seen as bearish.

A rumour in New York that one large car manufacturer was selling material helped to push the price down, but it could not be confirmed.

Ms O'Connell said that secondary supplies of the metal would start to dry up at current prices as it would be uneconomic to recover platinum from autocatalysts. Mr Nathan thought primary production could also be affected.

However, if gold holds above $380 an ounce, Mr Nathan believes the platinum price could go up quite quickly. If gold continues to retreat, "platinum is still vulnerable in the short term."

EC to judge UK milk boards reform

PROPOSALS which would involve the abolition of the monopoly powers of the UK's milk marketing boards have been submitted to the European Commission by the British Government.

The proposals are to be discussed at a meeting between the Commission and UK government and marketing board officials in Brussels next week.

The UK plans are based on those drawn up by the Milk Marketing Board for England and Wales, which were presented in outline to its annual meeting last July by Mr Bob Steven, the board's chairman.

They would involve the boards voluntarily abandoning their statutory monopolies to buy and sell all UK milk and instead becoming voluntary co-operatives. In return, the boards are seeking assurances, including the retention of their dairy processing activities.

There are five marketing boards in the UK - one in Northern Ireland, three in Scotland and one for England and Wales. The board for England and Wales is by far the largest with 32,000 farmer suppliers and a £2bn turnover. It also owns Dairy Crest which in turn has an estimated 30 to 35 per cent of the UK dairy products market.

The plans are controversial, not least with the remaining processors as represented by the Dairy Trade Federation.

Mr Andrew Dare, the DTF president, was in Brussels yesterday on a "fact finding mission" on the status of the proposals which he strongly opposes. He said they were anti-competitive and inflexible.

Neither the UK Ministry of Agriculture, which has sent the proposals to the Agriculture and Competition Directorates of the Commission in Brussels, nor the board for England and Wales, would comment publicly on the plans yesterday.

British ministers have said the initiative for reform must come from the boards, portraying the Agriculture Ministry's role as one of messenger because such proposals can only be submitted to the EC authorities by a member state's government.

However, ministers have made no secret of their ideological dislike of the boards' monopoly powers and the cartel-like arrangements whereby prices and minimum profits are fixed between the boards and the processors.

The arrangements are widely held to inhibit competition as well as to impede innovation in the industry. They are seen as increasingly untenable, particularly with the operation of the single European market fro[m] 1992.

However, a scheme t[o] replace the present system i[s] likely to be complex to negot[i]ate and next week's Brussel[s] meeting is likely to be first o[f] several.

Among the contentiou[s] issues will be whether, unde[r] EC law, the English and Wels[h] board will be allowed to retai[n] ownership of Dairy Crest an[d] become a single co-operativ[e] rather than several regiona[l] ones.

Also critical will be wha[t] restrictions might be impose[d] on farmer membership of th[e] new co-operatives.

Mr Steven told his board'[s] annual meeting last July tha[t] if all went well with discus[-]sions in Whitehall and Brus[-]sels, he would hope to put th[e] agreed proposals to the vote o[f] the 32,000 farmer suppliers b[y] Christmas.

British farmers see the luck of the Irish

Bridget Bloom investigates the implications for farmers of the proposals to reduce the MMBs' monopoly powers

THE BATTLE for the support of Britain's dairy farmers is hotting up.

Yesterday, it was confirmed that proposals espoused by the monopoly Milk Marketing Board for England and Wales for changing Britain's cartel-like milk marketing scheme had been formally submitted to the EC Commission in Brussels.

Earlier this week, Mr Andrew Dare, managing director of St. Ivel, one of the country's biggest dairy companies, and president of the Dairy Trade Federation, opened the dairy processors' campaign by taking a group of British farming reporters to Ireland.

Mr Dare wanted to show British dairy farmers that there was "life after the MMB". The complete abolition of the Boards, the DTF's favoured solution, would not harm farmers' interests.

"We are not opposed to reform but it must not be one-sided," Mr. Dare said. While he did not believe that the present system was as bad as it was painted, the MMB's proposal that it should become a single voluntary co-operative would effectively turn it into a "voluntary monopoly".

What the MMB was proposing was "not a more competitive model. . .it's not meant to be." Mr. Dare said. "It is simply an attempt to get the power to achieve higher prices for the farmer."

Mr. Dare and his executives would clearly like to see the establishment in the UK of the sort of arrangements that pertain in Ireland – and in much of the rest of the EC – where farmer co-operatives supply processors direct.

In a day's flying visit, the St. Ivel executives paraded before the reporters the company's Wexford Creamery and its 620 suppliers, who combine to supply milk through the Wexford Producers co-operative.

The creamery, which makes and exports cheddar cheese in 20-kilo blocks, negotiates prices on a monthly basis with the co-operative. Problems are ironed out through liaison committees. A technical advisory service is financed on a 50-50 basis, while the co-operative retains a direct interest in the creamery through a 20 per cent share in the equity negotiated five years ago.

The company's executives claim the arrangement is considerably more flexible than the UK scheme, with farmers, even in today's poor market conditions, receiving as high if not higher prices than in the UK. Because they are within a 25-mile radius of the creamery, all farmers get the same price, while they can also be encouraged to produce exactly what the creamery needs.

Andrew Dare acknowledged that he will have a tough job trying to sell such a system to many mainland UK dairy farmers, with their folk memory of the bad old days of the 1920s and 1930s, when, before the marketing boards, individual farmers were at the mercy of powerful dairy companies.

There may have been cogent reasons for the boards then, Dare says, but the situation today is wholly different. Farmers throughout the EC are protected by production quotas, while there is the continuing safety net of the EC's publicly financed intervention for surplus production.

Farmers' fears of insecurity were the boards to be abolished are groundless, Dare believes, a contention certainly upheld by the farmer members of the Wexford co-operative whom the British reporters interviewed.

Patsy Sutton, who, with hi[s] wife Brid, has 60 cows on 8[...] acres about ten miles from th[e] creamery, looked rather sur[-]prised to be asked the ques[-]tion. "I've been with th[e] creamery 24 years and they'v[e] never refused my milk," h[e] said. "In no way do I feel inse[-]cure".

Mr. Sutton, who was intro[-]duced as being among the co[-]operative's top 10 per cent o[f] farmers in terms of efficienc[y] of operation and quality of th[e] milk from his 60 cows, liste[d] the current fall in the mil[k] price as a big problem although drought was a clos[e] second. But he thought tha[t] neither would be solved b[y] having different marketing.

He also felt that the condi[-]tions of membership of the co[-]operative were fair. He coul[d] leave with three months notice and could – followin[g] recent changes to the regula[-]tions – now get back any capi[-]tal he had invested in the co[-]operative or the creamer[y] within two years of leaving.

There were also two othe[r] co-operatives which could tak[e] his milk. "We don't thin[k] about moving, but it's nice t[o] know there's somewhere els[e] to go to if we had to," he said.

Crackdown on Peru strike

THE PERUVIAN Ministry of Labour yesterday declared illegal the 26-day-old strike at state-owned Minero Peru, writes Sally Bowen in Lima.

The company employs 3,500 workers at a copper cathode refinery in Peru's southern port of Ilo, a zinc refinery in the Lima province of Cajamarquilla and at their mining operations at Cerro Verde and San Antonio de Poto. They have called a meeting of union leaders for 10am today. "We hope this meeting will be the last," said a Minero Peru spokesman.

The strike is thought to be costing the company about US$400,000 a day.

The company said yesterday it had no plans to invoke force majeure on zinc deliveries. Last week it declared force majeure on cathode deliveries to privately held Southern Peru Copper because of the strike's effects at the 175,000-tonne-a-year refinery at Ilo.

New soyabean contract

THE BALTIC Futures Exchange next month launches a contract in high protein soyabean meal, one of the main ingredients in the production of animal feed compounds, particularly in the pig and poultry industries, writes David Blackwell.

The contract will start trading on October 18 and will run in parallel with the exchange's existing soyabean meal contract, its least traded market.

The exchange believes there is European trade demand fo[r] the high protein contract.

It will trade in sterling i[n] lots of 20 tonnes. Only good[s] produced in Europe or th[e] US will be deliverable agains[t] it.

"The new contract wil[l] greatly assist those involved i[n] the animal feed trade to cove[r] their financial risks in a ver[y] volatile industry," said M[r] Dennis Wilkin, the chairman o[f] the soya market committee yesterday.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,630-1,700 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.05 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.70-2.90 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.50-12.40 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 190-210 (190-230).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.90-2.94 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 37-51 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.75-2.95 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.45 (11.70).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+50	to 126,500
Copper	+2,525	to 135,700
Lead	+850	to 40,825
Nickel	-552	to 3,210
Zinc	+1,625	to 45,200
Tin	-190	to 11,940

WORLD COMMODITIES PRICES

MARKET REPORT

Aluminium prices held steady on the LME in the afternoon after falling at lunchtime on profit taking which appeared to be prompted by a 50 tonne rise in LME stocks when a fall of up to 6,000 tonnes had been expected. Renewed speculative buying and short covering stabilised the market. Some analysts said the market had risen too fast and that a downward correction to around $1,950 could be expected before the bull trend resumed. Nickel stocks fell by 552 tonnes to 3,210, their lowest since last December, and prices closed ahead. Also supportive was a reluctance to sell ahead of the September 15 labour contract expiry at Inco's Thompson Manitoba facilities. Copper prices closed slightly up in spite of a rise in LME stocks to their highest level since May 1987. The market was reluctant to decline, given the current stoppage at Minero Peru and concern over African supplies, dealers said. London robusta coffee prices recouped most of Monday's losses in technically inspired dealings. In New York orange juice futures were sharply higher by midsession in a long-awaited technical bounce from an extremely oversold condition.

Compiled from Reuters

London Markets

SPOT MARKETS		+ or -
Crude oil (per barrel FOB)		+ or -
Dubai	$27.15-7.40w	+1.57
Brent Blend	$31.10-1.20w	+1.90
W.T.I. (1 pm est)	$31.45-1.50w	+2.46
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$416-419	+3
Gas Oil	$263-264	+10
Heavy Fuel Oil	$108-110	
Naphtha	$305-310	+12
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$381.00	-4.25
Silver (per troy oz)♣	482c	+3.00
Platinum (per troy oz)	$459.25	-12.0
Palladium (per troy oz)	$106.00	-0.25
Aluminium (free market)	$2035	-50
Copper (US Producer)	137.75c	+0.75
Lead (US Producer)	50.6c	
Nickel (free market)	530c	+20
Tin (Kuala Lumpur market)	15.12r	+0.03
Tin (New York)	270c	-1.00
Zinc (US Prime Western)	81.25c	
Cattle (live weight)†	102.26p	-0.51*
Sheep (dead weight)†	142.56p	-1.30*
Pigs (live weight)†	78.61p	-0.39*
London daily sugar (raw)	$293.3q	+11.3
London daily sugar (white)	$330q	+2.00
Tate and Lyle export price	£270.0	+9.50
Barley (English feed)	£114.50	
Maize (US No. 3 yellow)	£149w	
Wheat (US Dark Northern)	£94.2q	
Rubber (Oct)♥	52.75p	
Rubber (Nov)♥	53.00p	
Rubber (KL RSS No 1 Oct)	242.0m	
Coconut oil (Philippines)§	$387.5v	
Palm Oil (Malaysian)§	$383.0w	
Copra (Philippines)§	$207.5y	
Soyabeans (US)	£153	-1
Cotton "A" index	81.50c	+0.10
Wooltops (64s Super)	435p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Dec. u-Oct/Dec v-Oct/Nov. w-Oct z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	260.20	260.40	265.00 258.40
Dec	251.00	260.00	258.00 246.80
Mar	243.60	241.00	246.60 241.60
May	244.00	242.00	246.20 244.00
Aug	247.00	243.80	245.80
Oct	247.00	242.80	244.00
Dec	247.00	250.00	245.00
White	**Close**	**Previous**	**High/Low**
Oct	324.0	322.0	326.0 318.0
Dec	312.5	312.5	315.0 311.0
Mar	313.5	312.5	316.0 312.0
May	315.0	311.5	315.0 313.7

Turnover: Raw 4368 (3092)lots of 50 tonnes. White 2906 (2205)
Paris- White (FFr per tonne): Oct 1715, Dec 1670 Mar 1690, May 1695, Aug 1740

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Oct	30.60	29.70	31.14 29.50
Nov	28.70	28.00	29.20 27.85
Dec	27.60	26.55	28.05 27.20
Jan	26.85	27.08	26.90 26.45
Feb	26.30		26.30
Mar	25.77		25.77
IPE Index	29.94	30.41	

Turnover: 15754 (14172)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Sep	255.50	258.75	258.75 249.75
Oct	258.25	260.75	259.75 250.50
Nov	258.25	260.25	260.00 249.50
Dec	258.00	260.25	259.50 249.00
Jan	253.00	253.25	263.00 244.00
Feb	242.25	243.00	242.25 239.50
Mar	233.00	232.50	233.00
Apr	222.00	221.75	222.00 216.25
May	213.75		213.75

Turnover 15240 (10202)lots of 100 tonnes

JUTE
September/October c and t Dundee BTC $525, BWC $530, BTD $485, BWD $500; c and f Antwerp BTC $505, BWC $505, BTD $460, BWD $460.

COTTON
Spot and shipment sales in Liverpool for the week ended September 7 amounted to 632 tonnes against 450 tonnes in the previous week.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Sep	715	704	710 704
Dec	742	739	752 742
Mar	778	772	784 774
May	797	794	809 796
Jul	817	814	827 816
Sep	836	834	846 837
Dec	861	858	871 860

Turnover: 2403 (3164) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 10 964.19 (965.85) 10 day average for Sep 11 996.07 (1002.75)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Sep	599	585	602 590
Nov	620	601	628 609
Jan	636	620	642 627
Mar	636	623	642 630
May	652	638	656 648
Jul	668	654	670 651

Turnover: 4516 (4783) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 10: Comp. daily 75.65 (77.16). 15 day average 77.08 (75.96)

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low
Nov	84.0	86.0	84.0
Apr	129.4	131.5	130.5 129.0

Turnover 106 (126) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
Oct	103.00	102.0	103.00
Dec	112.00	112.0	112.00

Turnover 40 (4) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low
Oct	1190	1187	1190 1182
Jan	1200	1205	1200 1190
BFI	1191	1191	

Turnover 59 (98)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low
Sep	111.50	111.50	111.40 111.30
Nov	114.35	114.35	114.35 114.10
Jan	118.50	118.50	118.50 118.30
Mar	122.00	122.00	121.80 121.75
May	125.40		125.40 125.20
Barley	**Close**	**Previous**	**High/Low**
Sep	109.75		109.60
Nov	113.40	113.40	113.35 113.10
Jan	117.65		117.50 117.30
Mar	120.90		120.70

Turnover: Wheat 265 (173), Barley 68 (90).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	105.5	103.5	105.0

Turnover 25 (0) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)				Total daily turnover 25,434 lots		
Cash	2057-62	2092-4		2030-5		
3 months	1992-3	2029-30	2022/1954	1990-2	1980-1	66,515 lots
Copper, Grade A (£ per tonne)				Total daily turnover 29,676 lots		
Cash	1735-40	1730-5	1753/1740	1750-2		
3 months	1609-10	1598-9	1622/1606	1615-6	1605-6	112,971 lots
Lead (£ per tonne)				Total daily turnover 1,897 lots		
Cash	463-5	452.5-4.5	454	454.3-4.5		
3 months	459-60	456-6.5	460/458	459-9.5	461-3	11,539 lots
Nickel ($ per tonne)				Total daily turnover 1,709 lots		
Cash	11525-75	11400-50	11550/11500	11525-50		
3 months	11200-25	11100-50	11225/11100	11200-25	11200-25	8,793 lots
Tin ($ per tonne)				Total daily turnover 819 lots		
Cash	5800-10	5770-80		5785-90		
3 months	5915-20	5890-900	5930/5900	5900-5	5905-10	5,800 lots
Zinc, Special High Grade ($ per tonne)				Total daily turnover 4,051 lots		
Cash	1625-30	1600-15	1625/1618	1625-7		
3 months	1523-5	1512-5	1527/1510	1515-20	1517-20	19,736 lots

LME Closing £/$ rate:
SPOT: 1.8505 3 months: 1.8205 6 months: 1.7912 9 months: 1.7679

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	380¾-381¼	206-206½
Opening	379-379½	204-204½
Morning fix	378.40	205.317
Afternoon fix	378.50	205.260
Day's high	381-381½	
Day's low	376¾-377¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	389-394	210½-213½
Britannia	389-394	210½-213½
US Eagle	389-394	210½-213½
Angel	389-394	210½-213½
Krugerrand	380-383	206½-207½
New Sov.	92-94	49¾-50¾
Old Sov.	92-94	49¾-50¾
Noble Plat	459.70-457.00	249.30-253.25
Silver fix	**p/fine oz**	**US cts equiv**
Spot	258.00	475.00
3 months	267.85	484.60
6 months	276.70	493.50
12 months	295.15	513.55

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1850	228	139	23	78
1950	156	9	50	127
2100	77	44	119	226
Copper (Grade A)	**Calls**		**Puts**	
2800	231	142	38	103
2950	135	78	89	185
3050	88	50	141	253
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
500	120	137		2
550	74	94	4	8
600	37	59	17	24
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	68	108	26	33
750	41	79	49	54
800	24	56	82	81
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2900	190			
2950	140			
3000	120			115

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	380.5	376.6	379.0	379.0
Oct	382.0	380.3	384.7	378.2
Nov	384.4	382.6	0	0
Dec	386.6	384.8	389.1	382.6
Feb	390.9	389.0	392.4	387.3
Apr	394.9	392.9	395.0	392.0
Jun	399.2	397.1	400.0	396.5
Aug	403.2	401.0	401.5	399.0
Oct	407.7	405.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Sep	450.7	455.4	454.0	454.0
Oct	452.8	457.5	458.0	448.5
Jan	459.2	463.8	463.5	455.0
Apr	464.3	468.9	467.5	461.0
Jul	469.5	474.1	467.0	467.0
Oct	475.3	479.9	476.7	476.7

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	477.7	475.5	479.5	472.5
Oct	479.4	477.4	0	0
Nov	483.0	481.0	0	0
Dec	487.0	485.0	490.0	482.0
Jan	489.4	487.4	493.0	483.0
Mar	497.4	495.4	499.5	493.0
May	504.3	502.2	507.0	500.0
Jul	511.6	509.4	511.5	510.0
Sep	519.2	517.0	0	0
Dec	530.1	527.9	532.0	524.9

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	134.80	133.80	135.20	133.80
Oct	132.30	132.30	132.90	132.00
Nov	130.65	130.50	0	0
Dec	128.55	128.30	129.25	127.35
Jan	125.90	125.70	124.80	124.80
Mar	120.25	120.10	121.00	119.30
Apr	118.25	118.10	0	0
May	116.25	116.10	116.30	115.70
Jun	114.40	114.25	0	0
Jul	112.45	112.30	112.20	112.20

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	31.55	31.30	31.75	30.40
Nov	30.70	30.49	30.80	29.70
Dec	29.72	29.68	29.95	28.90
Jan	28.75	28.88	28.90	28.00
Apr	26.82	27.12	26.90	26.30
May	26.25	26.66	26.35	25.90
Jul	25.66	25.92	25.40	25.05

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	8540	8589	8600	8370
Nov	8625	8709	8675	8450
Jan	8600	8647	8650	8450
Feb	8300	8342	8360	8150
Mar	7860	7907	7900	7700
May	7350	7367	7350	7200

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1214	1235	1230	1217
Dec	1253	1272	1273	1250
Mar	1297	1312	1311	1290
May	1320	1348	1340	1320
Jul	1353	1378	1370	1353
Sep	1383	1405	0	0
Dec	1416	1438	1426	1410

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	95.50	94.75	98.00	95.00
Dec	98.65	98.05	99.30	96.70
Mar	101.70	101.40	102.35	101.20
May	104.00	103.30	104.20	103.50
Jul	106.25	105.75	0	0
Sep	108.20	108.00	108.50	108.25
Dec	110.25	110.25	111.00	111.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	11.33	11.20	11.40	11.23
Mar	11.01	10.90	11.10	10.96
May	11.00	10.89	11.10	10.98
Jul	10.99	10.89	11.07	10.99
Oct	11.04	10.98	11.15	11.04

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	72.17	72.58	72.65	72.05
Dec	71.84	72.06	72.30	71.55
Mar	73.20	73.35	73.55	72.85
May	73.94	74.06	74.10	73.70
Jul	74.13	74.17	74.10	74.10
Oct	69.65	70.00	0	0
Dec	68.05	68.27	68.20	68.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	150.70	150.50	153.00	150.00
Nov	139.80	137.75	141.35	137.80
Jan	137.00	135.50	138.75	135.60
Mar	137.10	136.50	138.50	136.00
May	136.65	135.25	139.25	138.50
Jul	136.25	135.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 11	Sep 10	mnth ago	yr ago
1827.2	1820.2	1781.2	1895.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 10	Sep 7	mnth ago	yr ago
Spot	129.53	129.53	-	129.45
Futures	133.84	133.84	-	130.52

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	625/4	619/4	626/0	620/4
Nov	638/6	632/2	639/4	633/0
Jan	653/0	645/6	653/4	647/0
Mar	666/4	659/4	666/6	661/0
May	674/6	667/6	675/0	668/2
Jul	680/0	674/2	680/0	678/0
Aug	672/0	665/0	672/4	667/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	24.44	24.43	24.48	24.25
Oct	24.31	24.35	24.40	24.12
Dec	24.39	24.45	24.50	24.21
Jan	24.55	24.62	24.68	24.45
Mar	24.78	24.82	24.90	24.65
May	24.96	25.00	25.06	24.88
Jul	25.02	25.00	25.05	24.90
Aug	24.60	24.60	24.70	24.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	184.6	180.7	184.7	181.0
Oct	185.9	182.3	186.0	182.6
Dec	189.7	186.1	189.8	186.5
Jan	190.7	187.2	190.8	187.8
Mar	193.7	190.0	193.7	190.5
May	194.5	191.0	195.0	192.0
Jul	195.7	193.0	196.0	193.0
Aug	195.0	191.0	195.0	193.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	241/4	239/4	241/4	239/0
Dec	238/0	234/2	236/0	233/6
Mar	245/2	243/6	245/2	243/2
May	251/4	249/4	251/4	249/6
Jul	255/2	253/6	255/4	253/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	267/2	267/6	268/0	264/4
Dec	284/0	283/4	284/6	280/6
Mar	296/4	295/0	297/4	293/0
May	303/4	303/0	304/0	300/0
Jul	309/0	308/0	309/0	306/0

LIVE CATTLE 40,000 lbs; cents/lbs

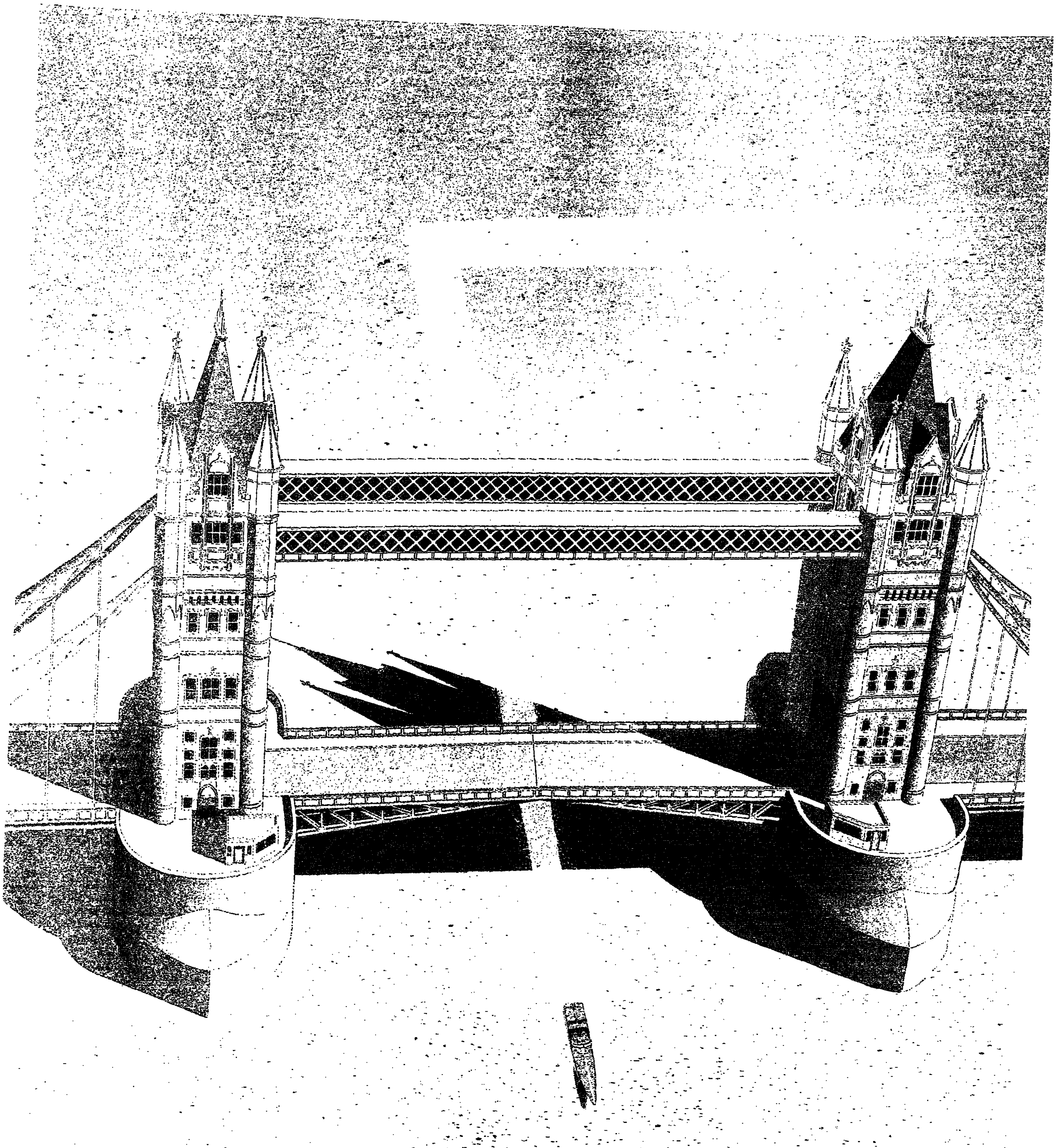
	Close	Previous	High/Low	
Oct	78.95	78.56	79.12	78.55
Dec	76.97	76.77	77.05	76.57
Feb	75.60	75.47	75.72	75.35
Apr	76.02	75.92	76.17	75.87
Jun	73.95	73.80	74.00	73.70
Aug	72.00	71.90	72.25	72.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	50.72	50.17	50.85	50.15
Dec	51.25	51.17	51.37	50.80
Feb	48.67	48.60	48.75	48.35
Apr	44.92	44.90	45.05	44.65
Jun	49.40	49.20	49.40	49.15
Jul	49.65	49.45	49.65	49.25
Aug	48.30	48.10	48.30	48.00

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	52.72	53.17	53.65	52.40
Mar	52.67	52.95	53.45	52.25
May	53.10	53.60	54.30	53.00
Jul	53.87	54.12	54.50	53.40
Aug	51.60	52.00	0	51.60



ACQUISITION FINANCE

Last March, The British School of Motoring put us to the test.

The management team required £25.5 million of Senior Debt finance for their proposed buy-out.

And time, as always, was tight.

Yet, reacting at great speed, we completed the deal with a marathon thirty-six hour session that ended on Good Friday morning.

The transaction was very nicely rounded off with the successful syndication being 55% over-subscribed.

How then, you may ask, did we turn it round so quickly?

We have a team of thirty expert personnel who work with the very latest information technology.

These resources ensure that we can structure most offers within three days.

Furthermore, we can underwrite the deal and handle the personal financial requirements of the management at the same time.

If you'd like to know more about the way in which we work, Theo van Hensbergen on 071-920 5234 will be pleased to put you in touch with one of the team. Give him a call and we'll get straight to you.

NatWest

Corporate Finance

NATIONAL WESTMINSTER BANK PLC. REGD OFFICE: 41 LOTHBURY, LONDON, EC2P 2BP. MEMBER OF IMRO

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LONDON STOCK EXCHANGE

Turnover higher but shares struggle

CORPORATE dividend strategies played a significant role yesterday in a UK stock market struggling to hold on to the recovery achieved in the previous session. Trading volume, although still unimpressive by the standards of a healthy market, improved from the most recent sessions.

The FT-SE Index ended with a modest fall of 2.7 points at 2,144.3 after the market's attempt to rally from a poor start was scotched by an early downturn on Wall Street. Some institutional support was identified, as weakening oil futures in the US reflected growing belief that the Middle East crisis may be solved by negotiation rather than armed conflict. But also important for investors was good dividend news from leading UK companies, which rallied confidence as the corporate reporting season continued to unfold.

London was discouraged at first by the near 500-point fall on the Nikkei index and modest dip on Wall Street overnight, But the appearance of at least two small trading programmes boosted turnover in early dealings and put some heart into the market. While corporate activity remained thin, there were hints of bid interest in second-line issues, a factor not seen for some time, and there was a ready response to a few bullish recommendations by brokerage houses.

A good interim trading statement, and increased payout, from Fisons, was welcomed, and a market now looking keenly for shares with good dividend yield support also focused on a higher payment from P & O and a maintained payout from Bunzl, despite poor profits news in both cases. The fall in profits at P & O, largely reflecting hard times at Bovis, the construction subsidiary, added further to the agony of the building sector.

Oil shares were again restrained by a duller trend in crude oil futures but suffered only modest selling pressure. The slackening in upward pressure on oil prices was helpful for manufacturing stocks, but the overseas earners drew little further benefit from the dull trend of sterling.

Seaq trading volume came out at 343.8m shares, an increase of 15 per cent on the previous day. Seaq daily totals do not distinguish between outside investment and intermarket deals, but detailed data from the International Stock Exchange disclosed that daily investor business has hovered around the £500m figure for the past trading week, still well short of healthy levels.

Market strategists held fast to the belief that the UK equity market is likely to stage a technical recovery over the near term, although much depends on events in the Gulf, and in particular on world oil prices, which have implications both for sterling and for costs throughout UK manufacturing industry.

Account Dealing Dates		
*First Dealings:		
Aug 20	Sep 10	Sep 24
Option Declarations:		
Sep 6	Sep 20	Oct 4
Last Dealings:		
Sep 7	Sep 21	Oct 5
Account Day:		
Sep 17	Oct 1	Oct 15

*New-time dealings may take place from 8.30 am two business days earlier.

Dividend increase saves P&O

THE MARKET'S worst fears about P & O were confirmed yesterday when the group unveiled interim numbers which fetched the description, "as bad as everyone thought they would be." However, the shares were saved by the board's decision to increase the half-time dividend in spite of its admission that the full year result will fall short of last year.

Compared with analysts' scaled-down expectations of £140m to £145m, the construction to shipping concern produced profits of £132.1m for the first half against £169.3m for the comparable period.

As expected, the Bovis construction operations suffered the major setback, and the group hinted that activities in this area could be curtailed. City estimates of profits for the full year were slashed after the interim statement, with one analyst predicting only £295m, although the consensus ranged between £320m to £335m. Mr Ian Wild of BZW moved down from £375m to £320m.

The saving grace was the increase in the interim dividend payment – a policy governed by medium to long-term prospects rather than the short-term result, said the chairman. Traders expressed hope that the reasons for the dividend increase will prove forthcoming. The shares fell initially to a low point for the year of 480p before recovering strongly to close 9 up on the session at 504p.

Racal Elect up

The recent bout of underperformance by the Racal Electronics share price was arrested by a strong buy recommendation issued by Nomura, the Japanese securities house.

Mr Hank Powell, telecoms guru at Nomura, said Racal shares had "pulled through a series of broker downgrades and suffered strongly from anti-cellular sentiment in the US investment community; now that the year two price/earnings ratio has dipped below ten we feel it is time to buy."

The Nomura analyst expected Racal to achieve pre-tax earnings growth of 43 per cent in the current year, followed by 37 per cent the year after, well ahead of the 6 to 8 per cent growth in market earnings we expect over the same period.

Mr Powell said the US cellular sector had been hit by "waves of panic over what the implications of emerging PCN (personal communications network) technologies may do to future profitability; Racal operates in a different regulatory environment and has the opportunity to compete with the licensed operators." Racal shares moved up 6 to 164p on good turnover of 6.4m.

Trafalgar hit

Further worries over prospects in the construction industry were reflected in fresh pain for Trafalgar House as Hoare Govett, the investment bank, reduced profits expectations after visiting the company on Monday.

Hoare has cut its full year forecast to £150m from £200m, after deductions of £100m for property provisions, including £20m on the stake in Costain, also a leading UK construction group. The estimate for 1991 was cut from £225m to £170m.

However, Hoare believes the dividend is safe even on profits of £150m, although it says a reduction is conceivable if profits reach only £120m when annual figures are reported, traditionally in December. Hoare's downgrading enlivened investment activity in Trafalgar House shares, down 5 yesterday at 215p after increased volume of 4.5m.

In the wake of a boardroom statement that it intends reducing its level of activity in housebuilding, ECC, formerly English China Clays, closed 9 down at 340p. A large line of stock was offered on the Inter-Dealer Broker (IDB) screens.

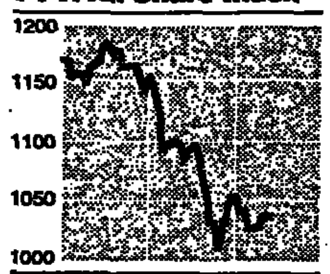
Fisons shines

Fisons was a bright spot among pharmaceutical stocks after posting a 35 per cent rise in interim profits to £90.2m. Fisons has divided analysts in the recent months, but this apparent affirmation of the bull story pushed the shares 10 better at one point. This flushed out at least two sellers, however, and the price retreated to 350p, a net improvement of 3. Turnover was above average at 6m shares.

Mr Martin Hall at BZW said the company would probably outperform the rest of the market on earnings growth of 20 per cent this year and 15 per cent next. He expressed some caution over the performance at VG Instruments, acquired for £270m from BAT Industries at the end of last year.

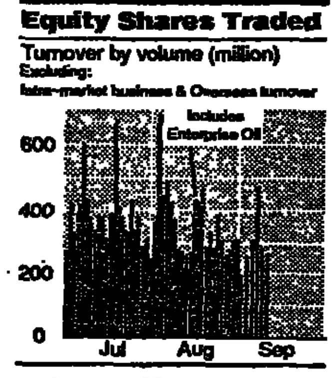
However, some analysts said Fisons should be regarded as a pharmaceutical company merely with a scientific instruments offshoot. Mr Didier Cowling at Nomura Research said he had turned buyer in June on the basis of a more optimistic view of generic competition for ethical drugs and a re-evaluation of the prospects for Fisons' drugs still in research. He left his forecast for the year unchanged.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Harland placing

Harland Simon, the specialist computer controls group, fell sharply after Mountain Dew, a Cayman Islands-based trust, placed its 28 per cent stake in the computer company with a number of institutions. Mountain Dew is run by Mr Birol Nadir, son of Asil Nadir, chief executive of the controversial Polly Peck group.

The 28 per cent stake, comprising 4.79m shares, was placed by Hoare Govett and Beeson Gregory, Harland Simon's joint brokers, at 485p a share, a 15 per cent discount on the then ruling share price. The sale raised £23.2m for the trust.

Normally a very thin market with the stock usually traded in parcels of a thousand shares, Harland dropped 45 to 520p yesterday.

International stocks confounded marketmakers by breaking ranks. Glaxo, one of Monday's sharpest risers, slipped 15 to 758p, while the often volatile Reckitt & Colman advanced again, adding 16 at 1239p.

Reuters fell 16 to 879p, with traders saying sentiment had been hurt by the overnight story that US employees of Reuters' news agency had authorised their union leadership to call a strike.

Oil shares failed to respond to higher crude oil prices. BP and Shell showed only minimal changes on respective turnovers of 4.7m and 2.7m shares. But there was a fresh bout of selling in the exploration and production stocks, where Enterprise, upset by a selling order of 500,000 shares, dipped 3 to 669p.

Lasmo remained on offer and closed 9 down at 469p. The placing of a line of 2m shares on Monday continued to undermine Sovereign Oil & Gas, which retreated 5½ more to 207p. Late support lifted Burmah 6 to 508p. Calor slipped 3 to 228p ahead of today's interim figures, which are expected to show net income of £12m and an interim dividend of between 5p and 7p.

Siebe rose in advance of the annual meeting, where it was announced that Mr Barrie Stephens, the chief executive, would succeed Mr Bill Pybus, the executive chairman.

The gain of 8 to 376p was also on the back of Monday's report that 1,600 employees of Siebe's subsidiary Foxboro are to be displaced as part of a cost-cutting restructuring plan. Analysts from Smith New Court said there was a feeling that the company showed "tremendous potential."

British Aerospace advanced 5 with the market before closing a net 2 up at 552p. Optimism over last week's Farnborough Air Show and expectations of reasonable results being announced today continued to make an impact.

Rolls-Royce gained ground for the same reason, hardening 5 to 193p on a healthy trade of 4m shares, while Hawker Siddeley firmed 3 to 483p.

However, the market failed to respond to a bullish statement from Sir Peter Horsley, chairman of ML Holdings, who said the group's aerospace companies had had an "excellent" air show, with a major export order for decoy equipment won last week. The shares were unaltered at 110p.

An extremely busy banks sector saw TSB the most active stock with 6.7m shares traded. The share price eased 2 to 131p as the group's defensive qualities were offset by general concern over deteriorating conditions for the high street banks. NatWest weakened 9 to 265p on turnover of 5m, while Barclays fell 7 to 334p.

YJ Lovell dropped to 103p as dealers lowered the share price to stem the tide of small selling orders. The Lovell board issued a statement that it knew of no reason for the steep decline in the shares, which then rallied to close a net 8 off at 114p.

Interim profits from Bunzl, a supplier of paper, building materials, plastics and cigarette filters, fell 26 per cent to £30.4m. The shares, however, climbed 9 to 69p and Mr John Kenny at BZW explained that there had been much relief that the company is going to pay an interim dividend (unchanged at 2.6p). He cut his profit forecast for the year by £6m to £61m.

Adscene, the Kent-based publisher and printer, lost 4 to 51p after posting a 62 per cent profits setback to £1.1m.

Pentland fell 5 to 49p as the market waited for news of the disposal of its 31 per cent stake in Reebok, which it put up for sale in June.

Interim results from Delta, the electrical engineering group, were well up to scratch and the shares responded by closing up 11 at 301p, after 302p. The group accompanied the figures with an encouraging statement on prospects, highlighting its "lean structure, low gearing and reducing cost base."

George H. Scholes, on the other hand, suffered from the 31 per cent profits contraction, which triggered a sharp marking down and subsequent selling of the shares, finally 13 lower at 117p.

An £8.9m agreed bid for AMS, the digital sound equipment company, from Siemens Austria, worth 29p per AMS share, saw AMS race up 7 to 27p. The two founders of AMS, Mr Mark Crabtree and Mr Stuart Nevison, and chairman Mr Leslie Stevens, who account for 74.2 per cent of AMS's shares, have agreed to accept the Siemens offer.

Macro 4's preliminary profits, up from £6.13m to £7.35m, were at the low end of market expectations and saw the shares retreat to 248p before settling a net 5 off at 258p.

Results from TVS Entertainment enlivened an otherwise dreary TV contracting sector. Interim profits fell almost 46 per cent to £7.3m and the dividend was cut from 5p to 3p. However, Mr Roy Owens at Smith New Court said there was relief that the results had not been worse and that at least part of the dividend had been retained. The shares climbed 5 at one point and closed 3 up on the day at 57p.

The directors of Tottenham Hotspur said they would make a statement concerning press speculation that Mr Robert Maxwell might take a stake in the company. The shares slipped 3 to 108p.

Courtney Pope bounced 9 to 67p on speculation that Raine Industries was either increasing its stake, currently 3.36 per cent, or preparing a bid for the company. Lookers also benefited from revived takeover talk and rose 7 to 63p, while USM-listed Capita gained 4 more to 171p in further consideration of Monday's excellent interim figures.

Sharply lower half-time profits left Hartons 6 down at 38p, while Stonehill Holdings fluctuated between 20p and 27p before settling 2 off on the day at 24p after news of the preference dividend passing and board resignations. Grovewood Securities dropped 12 to 57p as uncertainty resurfaced over the necessary refinancing for Priest Marians. Grovewood holds 24 per cent of the Priest Marians equity.

Welsh Water outperformed the water sector and advanced 5 to 233p, while North West Water held at 227p – substantially underperforming the water stocks - after Peter Hyde of Kleinwort Benson recommended a switch from the latter to the former.

■ Other Market statistics, including the FT-Actuaries share index, Page 24

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (4).
BRITISH FUNDS (2) ELECTRICALS (1) INDUSTRIALS (1) B.H. Prop.
NEW LOWS (152).
BANKS (6) BREWERS (1) BUILDINGS (22) CHEMICALS (3) STORES (5) ELECTRICALS (8) ENGINEERING (16) FOODS (8) HOTELS (1) INDUSTRIALS (43) Assoc. Farmers, Aukett Assocs., BBA, BSS, Barrett (Henry), Brit. Polythene 7½pc Prf., CH India., Charter Cons., Chestergate, Clayhithe, Co. of Designers, Community Hospitals, Computer People, Cookson, Cosalt, Delaney, Docus, Dyson (J & J), Do A, Ensor, Granada, Do. 7½pc Cv., Grovewood, Halls Homes & Gdns., NMW Computers, Oriflame, Pacer Systems, Page (Michael), Pentland, RKF, Rank Org., Silverlines, Somic, Stag Furniture, Stonehill, Stormgard, Tomkins, Do. 5.5pc Cv. Prf., Utd. Uniform Services, Whitecroft, Whitegate Leis., Wyndham, Yale & Valor, INSURANCE (1) LEISURE (7) MOTORS (1) NEWSPAPERS (3) PAPERS (9) PROPERTY (5) TEXTILES (1) TRANSPORT (5) TRUSTS (13) OILS (1) OVERSEAS TRADERS (1) MINES (2).

FINANCIAL TIMES STOCK INDICES

	Sept 11	Sept 10	Sept 7	Sept 6	Sept 5	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.52	78.27	78.07	78.81	78.67	86.04	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.47	86.33	86.30	86.53	86.42	96.73	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1651.0	1655.1	1638.5	1639.9	1672.2	1980.6	1968.3 (3/1)	1604.2 (23/8)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	191.4	195.4	194.6	193.6	192.3	205.9	378.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2144.3	2147.0	2122.9	2120.9	2152.2	2397.8	2463.7 (3/1)	2075.0 (23/8)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.73	5.70	5.78	5.78	5.68	4.02				
Earning Yld %(full)	12.09	12.13	12.30	12.31	12.09	9.68				
P/E Ratio(Net)(☆)	10.03	10.00	9.87	9.88	10.03	12.47				
SEAQ Bargns 4.45pm	16,253	17,120	20,279	17,917	17,014	26,470				
Equity Turnover(£m)†	-	491.82	580.33	795.85	577.28	928.69				
Equity Bargains†	-	16,533	19,981	17,784	16,325	26,736				
Shares Traded (ml)†	-	280.3	280.0	479.4	303.7	443.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928. Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.88

Ordinary Share Index, Hourly changes Day's High 1657.3 Day's Low 1645.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1648.8	1649.1	1647.8	1649.5	1649.7	1652.1	1656.6	1653.8	1651.5

FT-SE, Hourly changes Day's High 2151.6 Day's Low 2137.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2140.1	2140.7	2140.7	2142.2	2142.9	2144.3	2150.6	2148.5	2144.3

GILT EDGED ACTIVITY

Indices*	Sept 10	Sept 7
Gilt Edged Bargains	77.0	83.3
5–Day average	80.9	80.2

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	3,200	157		Courtaulds	501	323	+7	Manpower	625	55		Smith (W.H.) A	388	327	-3
ASDA Group	1,200	111	+1	Dalgety	63	368		Marks & Spencer	3,500	220	-3	Smith & Nephew	771	99	-½
Abbey National	3,100	213		Dixons	418	129	-1	Maxwell Comms.	371	168	+1	SmKl Beecham	908	648	-4
Allied-Lyons	1,600	477	-7	ECC Group	1,300	340	-9	Mecca Leisure	0	69		SmKl Beecham Units	9	2470	
Amstrad	4,000	88	-1	Enterprise Oil	1,300	669	-13	Midland Bank	6,000	239	-6	Smiths Inds.	360	200	-2
Anglian Water	333	332		FKI	4,500	54		NatWest Bank	5,100	265	-9	South West Water	809	219	+4
Argos	1,130	233	-2	Ferranti	2,700	23½	+1½	Next	4,900	37	+2½	Southern Water	50	287	+2
Argyll Group	170	235	+1	Fisons	6,000	350	+3	North West Water	146	227		Standard Chartd.	1,600	379	+6
Ass. Brit. Foods	191	408		Gen. Accident	517	450	+7	Northern Foods	7	338		Storehouse	483	128	-1
BAA	388	398	-2	General Elect.	2,700	182	-2	Northumbrian Water	58	232	+1	Sun Alliance	987	285	+7
BAT Inds.	587	547	-1	Glaxo	1,500	758	-15	Pearson	47	682		Sun Life	2	1083	
BET	438	220	-4	Glynwed Int.	311	237	-1	P & O	2,100	504	+9	T&N	199	154	+4
BICC	925	375	-6	Granada	380	176	-6	Pilkington	1,300	157	+1	TI Group	670	428	-2
BOC	115	494	+2	Grand Met.	1,000	569	+1	Polly Peck Intl.	8,700	285	-10	TSB	6,700	131	-2
BPB Inds.	95	170		GUS A	44	674	-4	Prudential	2,200	204	+4	Tarmac	784	224	+4
BTR	2,800	358	-8	GRE	2,200	192	+5	RHM	585	287	+5	Tate & Lyle	3,200	346	-1
Barclays	1,900	335	-7	GKN	180	347	+2	RMC	207	534	-5	Taylor Woodrow	1,600	223	-1
Bass	482	1003	-5	Guinness	279	703	-1	RTZ	1,500	449	-6	Tesco	1,200	232	
Beazer	886	123	-3	Hammerson "A"	156	569		Racal	6,400	164	+6	Thames Water	182	228	-1
Berisford Int.	305	42		Hanson	3,200	205½	+1½	Racal Telecom	237	271		THORN EMI	673	699	-5
Blue Circle	347	187	+1	Hanson Warrants	175	48	+½	Rank Org.	2,100	591	-4	Trafalgar House	4,500	215	-5
Boots	1,000	278	-2	Harrisons Crosfield	338	638		Reckitt & Colman	376	1239	+16	Trusthouse Forte	1,000	245	-4
Brit. Aerospace	1,200	552	+2	Hawker Sidd.	168	483	+3	Redland	484	517	+1	Ultramar	696	369	
British Airways	2,300	166	-3	Hillsdown	1,800	258		Reed Intl.	186	380	+2	Unigate	429	269	-3
British Gas	3,700	220	-1½	IMI	372	213	+3	Reuters	257	879	-16	Unilever	592	844	+5
British Land	200	283	-1	ICI	634	880	-2	Rolls Royce	4,000	193	+5	United Biscuits	1,000	327	
BP	4,700	309	+2	Inchcape	891	232	+1	Rothmans	368	724	-6	Utd. Newspapers	61	318	-2
British Steel	5,800	124	-½	Kingfisher	1,800	309	+3	Ryl Bk Scotland	1,000	132		Water Package Uts.	1	£2250	+25
British Telecom	1,500	288	+2½	Ladbroke	1,100	272	-2	Royal Insurance	331	388	+5	Wellcome	738	498	-2
Bunzl	4,000	69	+9	Land Securities	858	489	+2	STC	539	246	-1	Welsh Water	1,000	233	+5
Burmah Castrol	517	508	+6	Laporte	240	474	-6	Saatchi	5,200	55	+2	Wessex Water	157	222	+3
Burton	373	98		Legal & General	687	379	+7	Sainsbury	3,800	302	+4	Whitbread "A"	939	429	+1½
Cable & Wire.	816	478	+1	Lloyds Abbey	949	320	+2	Scottish & New.	546	340	+2	Wiggins Teape	1,000	155	+2
Cadburys	424	324	+1	Lloyds Bank	1,100	287	-1	Sears	354	87		Williams Hldgs.	716	210	
Calor Group	56	228	-3	LASMO	585	469	-9	Sedgwick	108	188		Willis Faber	586	232	+2
Carlton Comms.	498	350	+12	Lonrho	3,000	246	+1	Severn Trent Water	518	213	+1	Wimpey	231	187	
Coats Viyella	4,100	81		Lucas	333	131		Shell Transport	2,700	495		Yorkshire Water	869	240	+3
Comm. Union	1,300	447	+2	MB Group	442	183		Siebe	575	376	+8				
Cookson	3,200	104	-1	MEPC	2,000	448	-4	Slough Ests.	427	223	+3				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

Chairman designate at Siebe

■ Mr Barrie Stephens, vice chairman and chief executive of SIEBE, will become its executive chairman on December 1 when the current chairman, Mr Bill Pybus will retire. Mr Pybus will become a non-executive director. Sir Richard Lloyd has been nominated for the position of chairman of the non-executive committee - a role he performs in another major British company.

■ SALTER HOUSEWARES has made Mr Roger W. Evans its sales director.

■ TEATHER & GREENWOOD, agency stockbroker, has appointed Mr S.A. Cook, Mr A.J. Cresswell, Mr E.M. Ostrer, Mr R.F.P. Stone and Mr R.A.E. Tremlett as associate members.

■ Mr Richard Groom, general manager (operations) of the Woolwich Building Society, has been elected chairman of LINK INTERCHANGE NETWORK, which runs the shared branded network of automated teller machines in the UK. He has been a main board director of LINK since 1988.

■ At DOBSON PARK INDUSTRIES Dr Drummond Murdoch has become chairman of the industrial electronics division. He will be based at the group's electronic divisional headquarters in Columbus, Ohio.

■ Raine Industries' subsidiary HALL & TAWSE GROUP has appointed Mr Tom Lock (pictured) as managing director of the southern operation's partnership division. Mr Lock, who was previously deputy managing director of Hall & Tawse Southern, takes over from Mr David Vincent who has been appointed group deputy managing director.

■ Mr P.R. Dugdale has joined the board of AHJ INVESTMENTS as a non-executive director.

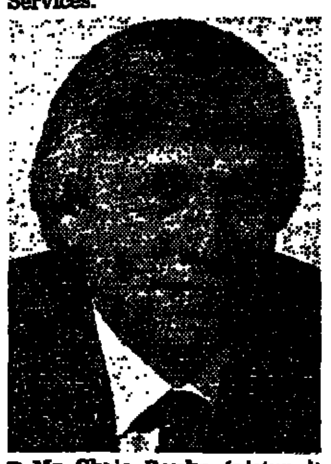
■ Mr Andrew Dick has been appointed managing director of DUN & BRADSTREET, UK arm of Dun & Bradsteet Corporation. For the last three years he has been the company's European vice president with responsibilities for marketing and planning. He succeeds Mr Keith Williams who becomes an executive vice president for Dun & Bradstreet Europe.

■ Stockbroker CAMPBELL NEILL & CO has appointed Mr James Hardie (pictured) as senior director, following the retirement of chairman Mr Iain Robertson on August 31.

Acquired in July by Charterhouse Tilney, the stockbroking arm of merchant and investment banking group Charterhouse, itself a part of the Royal Bank of Scotland, Campbell Neill is one of Scotland's larger private client stockbroking groups.

■ Mr Steen Steincke has become joint chief executive of HAFNIA HOLDINGS (UK) responsible for Hafnia's asset management division in the UK and has also taken over chairmanship of two of Hafnia's UK subsidiaries, Prolific Unit Trust Managers and Prolific Asset Management.

Mr Martin Harrison has been made managing director of Prolific Unit Trust Managers. Mr Michael Vogel has been appointed managing director of Prolific Asset Management and will combine this role with his fund management responsibilities. Mr Andrew Watson has become managing director of Prolific Financial Management Services.



■ Mr Chris Banks (pictured) has been appointed director of sales and marketing of SAAB GREAT BRITAIN following the recent appointment of Mr Bryan Hatter as managing director. Mr Banks was dealer development manager.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock (b)	Price £	+ or –	(1)	(2)
120⅝	110¼	Tr. 2pc '92‡‡(97.8)	120⅝xd	+⅛	3.47	5.13
110⅝	103¼	Do. 2 '94(102.9)	110⅝	+⅛	3.63	4.31
160⅝	150⅝	Do. 2pc '96(67.9)	160⅜xd	+⅛	3.78	4.21
131⅝	123½	Do 2½pc '01(78.3)	131⅛xd	+⅛	4.19	4.46
128⅝	119⅞	Do. 2½pc '03(78.8)	127⅜	+⅛	4.21	4.44
131⅜	122	Do. 2pc '06(69.5)	129⅛	+⅛	4.22	4.41
123⅜	113⅛	Do. 2½pc '09(78.8)	119⅞	+⅛	4.21	4.38
128⅛	117⅛	Do. 2½pc '11(74.6)	123⅜	+⅛	4.19	4.36
107⅛	97⅝	Do. 2½pc '13(89.2)	102⅜	+⅛	4.14	4.29
115⅛	105⅞	Do. 2½pc '16(81.6)	110⅛	+⅛	4.08	4.23
113⅞	102⅛	Do. 2½pc '20(83.0)	107⅛xd	+⅛	4.03	4.16
95⅛	86⅛	Do. 2½pc '24 ‡‡(97.7)	90	+⅛	3.96	4.08

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1989: 118.8 and for July 1990: 126.8.

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21⅞	8½	Chase Manhattan $12½	9⅝xd	+⅛	$2.48	–	13.9
19¼	10⅞	Chem. Banking Corpn	11¼	–½	$2.72	–	12.4
12½	6	Chrysler $6¼	6⅜xd	–⅛	$1.20	–	9.2
18¼	8⅞	Citicorp $1	10⅛xd	+⅛	$1.78	–	9.4
40⅜	30⅝	Colgate-Palmolive $1	34⅝xd	+⅜	$1.80	–	2.8
12⅛	454p	Cont'l Bank Corp $4	579p	+7	$1.00	–	9.2
268p	128p	Corporate Data Scce	175p	–40		–	–
22⅞	14⅞	Dana Corp. $1	15⅛	.....	$1.60	–	5.6
768p	274p	Data General	383p	–5		–	–
29½	20⅞	Dun & Bradstreet $1	22⅛	–⅛	$2.12	–	5.1
37⅞	25⅛	Eaton Corpn. 50c	26⅛	+⅛	$2.20	–	4.4
10⅞	5⅛	Echlin Inc.	6⅛	+⅛	70c	–	6.1
22⅛	14⅛	FPL Group 1c	14⅝	+⅛	$2.36	–	8.6
29⅛	16⅞	Fluor Corp 62½c	19⅞	+⅞	24c	–	0.7
30⅝	16⅝	Ford Motor $1	18⅝	+⅛	$3.00	–	8.5
41⅜	30⅞	Gen. Elect. 63c	33⅞	+⅞	$1.88	–	3.0
441p	256p	General Host Corp $1	270p	.....	32c	–	6.3
35⅜	25⅞	Gillette $1	31⅛	+⅛	$1.08	–	1.8
315p	51p	Gt American Bank Br $1	72p		20c	–	14.8
20⅛	13⅛	Greyhound Dial $1½	14⅛xd	+⅛	$1.32	–	4.9
12⅝	712p	Hasbro Inc 50c	758p		20c	–	1.4
60⅛	46⅜	Honeywell $1½	51⅞	+2⅜	$2.75	–	2.8
21⅞	16	Houston Inds.	17⅛	+⅛	$2.96	–	9.2
74	49⅜	IBM Corpn $1¼	57⅞xd	+⅞	$4.84	–	4.5
50p	18p	Image Storage/R.Sys.1c	18p			–	–
35½	21	Ingersoll-Rand $2	22⅜xd	+⅛	$1.32	–	3.1
25⅛	13⅝	Lockheed Crpn. $1	13⅝xd	–⅛	$1.80	–	7.1
11⅛	7⅛	Lone Star Inds $1	7⅞xd	.....	$1.90	–	13.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9½	ABN Amro Fl5	£18	+¼	Q28%	2.1	8.0	5.9
303	189	ANZ SA1	196	+1	44c	1.4	9.6	7.4
229	172	Abbey National 10p	213	......	5.7	4.3	3.6	8.6
*274	144	Allied Irish Ord	156	–5	Q40%	3.3	5.7	7.1
For Algemene see ABN Amro								
85	55	Anglo Irish	55	......	Q18.7%	2.7	7.6	7.9
93	68	Ansbacher (H.) 1p	68	......	2.5	1.3	4.9	19.6
£71¾	£40¼	Bancaire Cie Fr100	£43	+1½	Q12¼%	–	3.0	–
£22¾	£15¼	Banco Bilbao Viz	£16¼	......	Q49.1%	2.7	4.8	11.4
286	154	Bank Ireland Ir£1	154	–4	Q14.7%	2.9	8.5	5.4
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
350	320	Bank Leumi (U.K.)	358	......	†15.0	–	5.7	–
125	104	Bank Scotland	112	+1	4.55	3.3	5.4	7.4
100¼	83¼	Do. 9¼pc Irrd Pf	95¼	–½	9¼%	–	12.9	–
54	39	Bank of Wales	44	......	2.8	0.8	8.5	(21.1)
428	332	Barclays £1	335	–7	†19.57	3.5	7.8	4.6
22	12	Benchmark 20p	13	......	1.63	1.0	16.7	7.5
335	280	Brown Shipley £1	288	......	12.0	2.2	5.7	9.0
*435	330	Cater Allen £1	330	–4	N24.5	–	9.9	–
179	74	Chancery	77	+3	9.0	2.7	15.6	3.1
£23¾	£16¼	Commerzbk DM10	£17½	......	Q18%	–	3.5	–
£13¾	675	Dai Ichi KBk Y50	704	......	Q17%	♦	0.5	♦
*£313	£216½	Deutsche Bk DM50	£227½	–4¼	Q28%	–	2.1	–

[illegible]

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	.....	3.5	10.8	1.0	12.0
225	163	Airflow Streamlines	163	.....	6.0	3.9	4.9	7.0
190	145	Bostrom 5p	170	.....	5.75	3.1	4.5	7.7
266	188	Dowty 50p	200	+2	9.0	2.1	6.0	9.6
239	132	FR Group	141	–1	6.37	3.2	6.0	6.7
135	55	Kwik-Fit Hldgs 10p	63	.....	2.4	1.7	5.1	15.8
174	121	Lucas Inds.	131	.....	†6.25	3.0	6.4	5.9
44	18	Do. Warrants	20	+1	–	–	–	–
80	63	Mid-States 10p	66	.....	s20.75	–	1.6	54.0

Garages and Distributors

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
28	19	Alexanders 10p	22	.....	1.0	3.0	6.1	6.6
135	81	Appleyard 10p	81xd	.....	†7.8	2.4	12.8	3.8
110	68	Bletchley Motor 20p	68	–2	7.5	1.9	14.7	4.8
568	445	Caffyns 50p	445	.....	11.5	0.3	3.4	–
121	98	Central Motor Auctns	108	.....	†3.25	3.2	4.0	10.3
61	26	Cook (D.C.) Hldgs	31xd	.....	1.0	♦	4.3	♦
89	33	Cowie (T.) 5p	52	.....	4.2	1.5	10.8	7.2
95	65	Dagenham Motors 10p	66	.....	5.25	2.8	10.6	4.6
98	78	Davenport Vernon 10p	78	.....	3.5	3.6	6.0	5.4
29	16	Equity & Gen 5p	20	.....	†1.5	1.7	10.0	(7.1)
247	163	Evans Halshaw	174xd	.....	11.25	2.4	8.6	6.4
113	85	Gates (F.G.)	98	.....	2.75	1.9	4.1	16.9
161	94	Gowrings 10p	94	.....	5.63	1.3	8.0	10.6
167	118	Hartwell	154	.....	3.6	♦	3.1	♦
81	50	Jacks Wm	50	.....	2.0	1.0	5.3	25.1

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
285	163	Helical Bar 5p	185	–8	10.0	4.0	7.2
81	55	Do 5¼pc Cv Pf '12	59	–1	5¼%	–	11.9
177	140	Herring Son & Daw 10p	149	.....	†5.75	3.3	5.4
67	47	HK Land Hldgs	54	.....	Q48c	♦	6.0
18½	10	INOCO 10p	10	.....	–	–	–
250	225	Jermyn Invest	250	.....	3.0	16.9	1.6
37½	30	Key City Prop	30	.....	–	–	–
549	458	Land Securities £1	489	+2	17.0	1.4	4.6
£91¼	£76¼	Do. 10pc 1st Mt Deb 2025	£81	+¼	Q10%	–	12.3
£91	£76¼	Do 10pc 1st Db 2030	£79¼	+⅛	Q10%	–	12.6
670	543	Lend Lease 50c	608	+10	Q70c	♦	5.0
£95	£79½	LETINVEST 10½pc Deb 2022	£84½	.....	Q10½%	–	12.1
158	17	Lon & Metropltn 5p	24	.....	6.65	2.9	–
48	26	Lon. Securities 15p	26	.....	1.5	♦	8.0
81	48	Do 8¼pc (Net) Cv	50	+2	8.25	–	22.0
549	448	MEPC	448	–4	†17.0	2.7	5.1
82	39	Markheath	40	.....	6.0	1.4	20.0
43	17	Marylebone Ests 5p	17	.....	3.0	1.8	23.5
*215	13	McInerney 10p	19	+1	Q34.7%	–	16.4
175	120	McKay Secs 20p	145	.....	5.8	♦	5.3
27	6	Merchant Manf Ests.	6	.....	1.0	–	22.2
436	263	Merivale Moore 5p	263	.....	10.5	5.0	5.3
63	8	Merlin Intl Props.	8	.....	2.0	–	–
71	26	Micklegate Grp. 1p	26	.....	L2.25	♦	12.2
50	36	Molyneux Ests.	36	.....	20.5	–	1.9
107	49	Moorfield Estates 10p	49	.....	3.75	4.0	10.2
169	91	Mountleigh	92	.....	4.75	–	6.9
94	56	Do 5.25pc Cnv Pf	57	–1	5.25%	–	12.3
1200	895	Mountview Ests. 5p	895	.....	11.5	11.0	1.7
40	13	Mowlat Group 10p	15	+1	a1.2	4.8	10.7
124	86	Muckiow (A. & J.)	91	+1	†h4.46	1.5	6.5
63	46	New Cavendish 5p	46	.....	–	–	–
27½	15½	New Eng. Prps 5p	16½	.....	1.0	2.3	8.1
19	11½	Osory Estates 5p	12	+½	†0.75	2.3	8.3
237	135	Palmerston Hldgs	135	.....	8.78	1.4	8.7
236	125	Peel Hldgs	139	.....	10.0	♦	9.6

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

Miscellaneous

[illegible]

THIRD MARKET

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
118	65	Ramsden's (Harry)	88	.....	L4.5	1.1	6.8	17.4
60	30	Rentaminster 5p	32	.....	ta1.85	2.8	‡	6.3
38	11	Sempernova	13	.....	–	–	–	2.9
36	22	Sleepy Kids 5p	22	.....	–	–	–	–
2¾	1	Swanyard Studios 1p	1¼	+¼	–	–	–	–
3½	1¼	Systems Connections	2¼	.....	–	–	–	–
94	58	Tomorrows Leisure 20p	63	.....	1.0	♦	2.2	♦
55	27	UPL Group 10p	29	.....	–	–	–	–
185	128	Unit Group	181	.....	5.0	1.8	3.7	20.4
89	28	Video Magic Lsk. 1p	30	+2	W2.0	0.7	8.9	24.1
6¼	3	Vista Ents 5p	3	.....	–	–	–	–
18	8	Vizcaya Hldgs 5p	8	.....	–	–	–	8.4
5½	2¼	Wilton Group 1p	2½	.....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1	880	.....
Finlay Pkg. 5p	53	+2
Holt (Jos) 25p	1310	.....
Carrol (P.J.)	110	.....
Hall (R. & H.)	165	.....
Helton Hldgs.	52	.....
IRG	150	.....
United Drug	143	.....

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£90	.....
9pc Cap Ln. 1996	£91¼	+¼
Fin. 13% 97/02	£108½	.....
Arnotts	180	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	55
FKI	5½
FNFC	20
Gen Accident	46½
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Polly Peck	40
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

Stock	p
Brit Land	24
Control Secs	4
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Stock	p
Ariva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines

Stock	p
Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	NGF6	42.95	42.95xd	45.95	----	5.97
Gilts & Fixed Int	6	102.8	102.8xd	109.1	----	10.00
High Inc Equity	6	120.6	120.6	128.9	----	4.93
Worldwide Bond	6	186.7	186.7xd	197.9	----	6.52
Capital Growth						
American Growth	6	156.8	156.8	166.6	----	1.15
Asian Pacific	6	113.1	114.9	122.2	----	0.10
Assets & Earnings	6	144.9	144.9	154.9	----	3.03
Capital Reserve Acc	0	95.44	95.44	95.48	----	7.48
Capital Reserve Inc	0	80.21	80.21	80.25	----	7.48
Comdty & Energy	6	88.05	88.05xd	94.14	----	1.08
1992 Enterprise	6	55.51	55.51	59.36	----	3.29
Euro Capital Acc	6	88.89	88.89	95.06	----	1.04
Euro Capital Inc	6	85.35	85.35	91.28	----	1.04
General	6	157.5	157.5xd	168.4	----	2.97
Japan	6	88.84	88.84	95.01	----	0.00
Mastertrust	6	79.78	79.78	85.32	----	1.98
UK Growth Acc	6	151.8	151.8	162.3	----	2.51
UK Growth Dist	6	99.10	99.10	105.9	----	2.51
US Emerging Cos	6	45.20	45.20	48.34	----	0.00
Income & Growth	6	266.3	266.3	284.8	----	3.60
Ethical	6	42.82	42.82	45.79	----	2.18
International	6	54.07	54.07	57.82	----	0.86
Dividend & Growth	6	41.35	42.32	45.02	----	5.00
Global Gwth & Sec	6	46.07	46.23	49.18	----	2.03

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	27.61	27.61	29.38	+0.41	2.65
European	5¼	76.85	76.85	81.70	+0.26	0.00

Brown Shipley & Co Ltd—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Recovery	6	37.89	37.89	40.35	+0.47	1.51
Smaller Cos Acc	6	208.6	223.8	239.0	+0.60	-
Smaller Cos Inc	6	127.8	137.1	146.4	+0.40	2.45

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	170.1	170.1	176.7	-1.0	6.34

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5¼	51.00	51.00	54.06	-0.07	4.45
(Accum Units)	5¼	53.54	53.54	56.75	-0.08	4.45
Fellowship Tst ♥	5¼	54.11	54.85	58.36	+0.19	3.56
(Accum Units) ♥	5¼	56.57	57.34	61.01	+0.19	3.56
General Inc	5¼	254.6	254.6	269.9	-0.3	4.22
(Accum Units)	5¼	443.2	443.2	469.8	-0.5	4.22
Income	5¼	142.4	142.4	150.9	-0.2	4.96
(Accum Units)	5¼	289.1	289.1	306.4	-0.2	4.96
International ♥	5¼	87.65	87.65	92.91	+0.31	0.00
(Accum Units) ♥	5¼	121.1	121.1	128.4	-0.5	0.00
Smaller Co's	5¼	91.39	91.39	96.87	-0.07	2.74
(Accum Units)	5¼	102.4	102.4	108.5	----	2.75
Inv Portfolio ♥	3	47.19	47.19	48.84	+0.17	3.71
(Accum Units) ♥	3	50.15	50.15	51.91	+0.2	3.71
High Income Port ♥	3	41.76	42.60	44.15	-0.12	6.22

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Short Dated Gilt	1¼	58.19	58.19	59.06	+0.03	12.83

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CCF Sel High Inc Eqty	5½	42.18	42.18	45.80	-0.16	6.29
CCF Sel High Inc Eq Acc	5½	43.13	43.13xd	46.83	-0.17	6.29
CCF Sel Intl Gwth	5½	40.84	40.84	43.83	+0.20	0.00
CCF Sel Inv Tst	5½	42.75	42.75	47.30	+0.02	2.65
CCF Sel Inv Tst Acc	5½	43.36	43.36	47.97	+0.01	2.65
CCF Sel UK Sm Co's	5½	42.66	42.66	46.86	-0.08	2.30
CCF Sel UK Smllr Cos Acc	5½	42.99	42.99xd	47.22	-0.08	2.30

CCL Unit Trusts Ltd (1400)F

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks						
Admin: 0296 394000 Dealing: 0296 312156						
American Eagle	5	65.19	65 19	69 66	-0 22	1 11
Australia	5	6.571	6 571	7 029	[illegible]	3.79
Equity	5	142.9	142 9	153 4	+0 1	5 01
Euro Spec Sits	5	105 9	105 9	114 0	+0 1	0 61
Financial	5	25 62	25 74xd	27 73	-0 02	3 13
Global Opps Inc	5	60.94	60 94	65.57	-0 25	0 00
Global Opps Acc	5	61 39	61 39	66 06	-0 26	0 00
Gold & Gen Inc	5	41.97	41 97	45 12	-0 29	0.89
Gold & Gen Acc	5	78.23	78 23	84 10	-0 53	0 89
Income	5	87.71	87.71xd	94 28	-0 11	6 58
Japan & General	5	112.2	112 2xd	120 8	-1 6	0 00
Preference Share	5	17 55	17 55	18 86	-0 36	14 07
UK Capital	5	78.50	78 50xd	84.29	-0 05	4 00
World Income	5	56 67	56 67	60 80	-0 02	5.81
Worldwide Capital	5	152 0	152 0	163 5	-0 4	3.34
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	104 58	105 39	112 72	(z)	3 28
Global Growth Inc	6	100 48	101.26	108 30	(z)	3 28
Global Balanced Acc	6	101 17	101.63	108 69	(z)	4 52
Global Balanced Inc	6	96.19	96.62	103 34	(z)	4.52
Value Tst Acc		74.99	76 17	81.47		4 04
Value Tst Inc	6½	73 12	74.27	79.43	(z)	4 04
Intl Pen & Ch'ties Inc ▼	2	96 30	97 87	102 76	....	3.57
Intl Pen & Ch'ties Acc ▼	2	94 42	95 96	100 75	....	3.57
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	47.31	47 62	50 65	...	–
Overseas	5	41 05	41 31	43 94	...	–
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
American Opps	5	46.27	46 27	49 34	+0 42	0 23
(Accum Units)	5	47 61	47 61	50 78	+0 43	0 23
Cash	0	50.05	50 05	50 05	+0 01	14 86
Accum Units	0	50 05	50 05	50 05	+0 01	14 86
European Opps ‡	5	65.23	65 23	69 56	+0 76	0 00
(Accum Units) ‡	5	65 59	65 59	69 95	+0 78	0 00
Far Eastern Opps	5	114 40	114 40	122 02	-0 62	0.00
(Accum Units)	5	115 14	115 14	122 80	-0 63	0 00
Golden Opps	5	31 84	31 92	34 04	+0.11	0 00
(Accum Units)	5	32 75	32 83	35 01	+0 11	0 00
Intl Hi-Yield	5	52 32	52 32	55 80	+0 34	4 93
(Accum Units)	5	57 03	57 03	60 83	+0 37	4 93
Sanyo Japan Tst	5	61 43	61.43	65.51	-0 35	0 00
(Accum Units)	5	61.43	61 43	65 51	-0 35	0 00
Kangaroo	5	28.06	28 06	29.92	+0 48	1.40
(Accum Units)	5	29 30	29.30	31 24	+0.51	1.40
Little Dragons	5	39 61	39 61	42 23	+0 40	0 00

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Sept 5	41.9	43 9xd	+0 90	2.39
Euro Expt Sept 5	50 8	53 3xd	+0.30	2.85
Fixed Int Ex Sept 5	42.3	43.5	..	11 62
Japan Expt Sept 5	41 5	43 2	+1 60	0.77
Managed Ex Sept 6	39 8	41.3		5.23
SE Asia Expt Sept 5	62 1	65 1	+2 10	3 32
Sm Cos Expt Sept 5	32 1	33 7	-0 10	5 17
UK Eqty Ex Sept 5	37.2	39.0xd	+0.30	4.86
Phillips & Drew Fund Management Ltd				
Small Co's Sep 5	641.8	685 8	----	5.25
Do Accum	706.9	755 2	----	5 25
Int Expt Sept 6	155 8	158 6	----	3 0
UK Index Sept 5	1015	1035	----	5 1
Do Accum	1059	1080	----	5.1
Convertible Sept 10	83 40	85 68	----	8 3
World ex UK Index Sept 10	685.8	695 0	+7 7	2 40
Do Accum	685 5	695 0	+7 7	2.40
Japan Index Sept 10	553 8	561.9	+12.8	0.6
Do Accum	554.8	562.9	+12.9	0.6
USA Index Sept 10	781 8	786 9	+5 2	3 7
Do Accum	792.8	797 9	+5.2	3.7
Europe ex UK Index Sept 10	854 2	875.1	+1 9	2 8
Do Accum	867 5	888.6	+1 9	2 8
Pacific ex Jap Index Sept 10	833.2	856 2	+0 7	5.2
Do Accum	848 9	872 3	+0 7	5.2
Managed Exempt Sept 6	91 15	92.76	----	5 15
NM Rothschild Asset Management Ltd				
NC Managed	54 3	57 8xd	+0 1	4.16
NC Property	179.5	196.5	----	–
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	130 5	131.6	----	2 97
Stewart Ivory & Co Ltd				
Saints PPP Aug 13	245 8	258 1	----	–
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Sept 3	91 53	96 95	----	4 26
(Accum Units)	93 34	98 87	----	4.26
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1029	1041	----	2.56
TR Exempt Nth Amer	771	786	----	4 14
TR Exempt Pac Basin	719	728	----	1.73

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Providence Capital Life Assc. Co Ltd

Providence Capital Life Assc. Co Ltd – Contd.

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd (z)

Skandia Life Assurance Co Ltd – Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group – Contd.

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Finsura International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

NM Life Assurance Int Ltd

PBR Fund Management Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plan.) Ltd

The Analysis Group PLC

Bryan Walls & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

Clifton Financial Mgmt Ltd

Drummond Moore Plc

Edinburgh Money Management Ltd

Fairmount Sinn Rolls Ltd

Gartmore Fund Managers Ltd

Hinton Hill G. & P) Ltd

Horsbminster Financial Services(Pty) Ltd

I.P.S. Lamont plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macartney & Bowie F.S. Ltd

Marsh Financial Management PLC

Northam Binge & Partners

Petley & Co PLC

Roxborough Financial Management Ltd

Rutland Inv Mgt & Inv Grp ("RIMIG")

Sanger (Albert EJ & Co.

Siltala Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

BBV-Hambros Asset Mngmt (Guernsey) Ltd

Cigna International Fund Mngrs (CI) Ltd

Credoswiss Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G Island Fund

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

هدية من الأرشيف

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Austro-Hungary Fund Ltd				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Sep 6		58 88	.....	–
Baring Int Fund Managers Guernsey Ltd				
Mngd Portfolio (Dlr)	$10 18	10 83	..	–
Mngd Portfolio (Stlg)	£3.95	4.25	...	–
Baring Currency Fund Ltd				
US Dollar		$14 40	....	–
Sterling		£17 35	....	–
Deutschemark		DM37 60	.....	–
Japanese Yen		Y3,761	–	–
Managed	$39 54	41.51	–0.14	–
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	DKr113 30	113 80	.....	–
Dunmenil Asset Management (Guernsey) Ltd				
Dunmenil Enterprise Fund Ltd				
PCFC Selective Gwth Fd.	£1.0636	1.1181	.....	–
Fipart-Conseil Fund Mngrs (Guernsey) Ltd				
Hauteville G & B Fd.	SFr7.94	8 03	....	2.60
John Govett Mngmnt International Ltd				
Govett Int'l Mngd	£0 845	0 913		–
Govett High Inc Gilt.	£0 3360	0.3580	+0 005	14.53
Govett Far East Inv.	$0 972	1 039	–0 005	–
Energy & Resources	$0.737	0 788	–0.006	–
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$9 5485	10 1475	.....	–
Havelet Throgmorton Mngmt Ltd				
Intl Inv—Stlg High Inc	£9 722	10 242	.....	10 09
Intl Inv—Intl High Inc	$47 721	50 285	.....	5.54
Henderson Admin. (Guernsey)				
Prime Res Prop Info	£0 908	–		
Balanced Gwth $ Prtflo	$1.919	2.065	+0 005	–
Balanced Gwth £ Prtflo	£1 120	1 202	+0 020	–
Select Mkts $ Prtflo	$1 914	2.068	–0 006	–
Inc & Gwth $ Prtflo	$1.722	1 834	+0 001	–
High Income £ Prtflo	£0 589	0 623	–0 001	–
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst.	65.95	70.53	–0.07	2.87
Kleinwort Benson Intl Fd Mngrs Ltd				
KB Int Ac Bd Acc*	£8.498	8 953	.....	–
KB Japan Fund		$216 07	....	–
KB Sterling Asset	£38 80	38 80	....	–
*Offer price inclusive of maximum preliminary charge				
Kleinwort Benson Islamic Fd Mgmt Ltd				
Islamic Fund	$5.70	6 15	.....	0.44
Lazard Fund Managers (CI) Ltd				
Lazard Cap. Gwth Bond.	$2795 48	2959 84	+10.35	10.3

	Bid Price	Offer Price	+ or -	Yield Gross
Sarasin (Isle of Man) Ltd				
Fergus Fd Sept 6		£11 95	.....	–
UK Trend Sept 6		£8.75	.....	–
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8 39	9 07	--	–
Fleet Street Inv Fd.	£7 38	7 88	--	–
Offshore Income Fd Ltd	£9 06	9 53	--	–
Nelson Manc Wrld S/S	£9 64	10 40	--	–
Tattersall Intl Assets	£7 65	7 97	--	–
Tyndall International (Isle of Man) Ltd				
H I Gilt/Bulldog	96.5	–	.....	–
(Accum Shares)	153.8	161 6	+0.2	–
Unibank Scandinavian Fund Ltd				
Scandinavia Fd.	181 30	193.03	+2.54	1 0

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£0 921	0.921	0.985		2.5
Global Income (Inc)	5¼	£0 422	0 427	0 457		4.3
Global Resources R	5¼	£0 424	0 427	0.457		1.3
Currency Fund						
Stlg Premium Income R		£10 05	10 06		.....	13.8
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, Capital Hse, Bath St, St. Helier, Jersey Tel: 0534 74589 (Dealing) 0534 79639 (Helpline) Facsimile. 0534 79040 Telex. 4192136						
Capital House International Growth Funds Ltd ◆						
Equities						
UK Equity	5	£1 088	1 099	1.166		–
North American	5	$1.496	1.500	1.592		–
Japanese	5	$1.577	1.587	1 684		–
Pacific Basin	5	$2.396	2.422	2.571		–
Continental European	5	$2 440	2.473	2 625		–
Gold	5	$1.406	1.440	1.528		–
Bonds						
Sterling Bond	5	£1 323	1.323	1.395		–
International Bond	5	$1 713	1.713	1.804		–
Currencies						
£ Sterling	0	£24 19	24 19		+0 01	14.09
US$	0	$18 69	18 69		+0 01	6.71
Japanese Yen	0	Y3 562	3 562		+1 0	6 29
D Marks	0	DM57 40	57 40		+0 01	7 01
Swiss Francs	0	SFr50 52	50 52		+0 01	6.84
Fr Francs	0	FFr224 8	224 8		+0 1	8.53
Ecu's	0	Ecu26 73	26 73			8 63
Managed						
Intl Portfolio	5	$1 682	1 698	1.802		–
Managed Currency	5	$1 981	1 981	2.086	..	–

Gartmore Fund Managers International Ltd

JERSEY (REGULATED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen suffers from profit-taking

THE JAPANESE yen suffered a bout of profit taking after its recent sharp rise, leaving the currency generally weaker.

Sterling has been hit by selling orders out of the Middle East recently. This continued in early European trading yesterday when a large order to sell the pound and buy dollars pushed the British currency through technical support at $1.8440. It touched a low of $1.8360, depressed by fading hopes of early UK membership of the European Monetary System exchange rate mechanism, but rallied later to close towards the day's high.

Sterling rose to a peak of $1.8560, and closed in London at $1.8500, a net loss of 70 points on the day. The pound flirted with a support level of DM2.93 against the D-Mark, but recoved to close ½ pfennig higher on the day at DM2.9425. It also rose to Y258.75 from Y258.50; to SFr2.4575 from SFr2.4475; and to FFr9.8550 from FFr9.8325. Sterling's index finished 0.2 lower at 93.2.

The dollar gained from the disappointing performance of other currencies. Apart from profit taking on long yen positions and the fall from favour of sterling the dollar also benefitted from nervousness surrounding the D-Mark.

A US Congressional group report suggested that 35 large US banks are likely to fail or require assistance within the next year. The report also identified a significant number of other US institutions experiencing severe financial problems. This led to some selling of the dollar, but the impact was limited.

At the London close the dollar had climbed to Y139.80 from Y139.15; to DM1.5905 from DM1.5815; to SFr1.3290 from SFr1.3185; and to FFr5.3275 from FFr5.2950. The dollar's index rose to 63.7 from 63.4.

A downward correction in the yen was regarded as inevitable after the currency's recent sharp rise.

Higher oil prices provided encouragement to adjust long yen positions against the dollar but corporate demand for yen, on end of the book squaring by Japanese companies, kept the Japanese unit firm against the D-Mark. Dealers noted that there is technical support for the D-Mark at Y87.50. By last night's close in London it had slipped to Y87.90 from Y88.00.

Nervousness about the cost of German unification continued to weigh against the D-Mark. News that Bonn has agreed to pay the Soviet Union DM12bn for withdrawing its troops from East Germany will add to the burden, according to dealers.

The Canadian dollar appeared to be recovering from recent selling pressure. High Canadian interest rates pushed the US dollar down to C$1.1630 from C$1.1705.

Trading was fairly quiet within the EMS. The Belgian franc was the second strongest currency, above the Italian lira, leading to a cut in short term Belgian interest rates. The lira was steady against the D-Mark, showing signs of consolidation after its recent fall.

£ IN NEW YORK

Sept 11	Latest	Previous Close
£ Spot	1.8465-1.8475	1.8575-1.8585
1 month	1.09-1.08pm	1.06-1.04pm
3 months	3.02-3.00pm	3.08-3.05pm
12 months	10.4-10.3pm	10.3-10.2pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sept 11	Previous
8.30 am	93.2	94.0
9.00 am	93.2	93.8
10.00 am	93.0	93.6
11.00 am	93.0	93.6
Noon	93.1	93.5
1.00 pm	93.0	93.6
2.00 pm	93.1	93.5
3.00 pm	93.1	93.5
4.00 pm	93.2	93.4

CURRENCY MOVEMENTS

Sept 11	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.2	-19.2
U.S Dollar	63.7	-15.2
Canadian Dollar	102.8	+0.6
Austrian Schilling	109.5	+11.6
Belgian Franc	111.4	-2.1
Danish Krone	110.2	+4.6
Deutsche Mark	118.5	+24.5
Swiss Franc	115.7	+24.7
Guilder	114.4	+16.0
French Franc	105.1	-11.5
Lira	99.6	-19.5
Yen	128.6	+60.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.10.

CURRENCY RATES

Sep 11	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.742872	0.702099
U.S Dollar	7	1.38709	1.29292
Canadian $	12.92	1.62359	1.52291
Austrian Sch	6½	15.3745	14.4994
Belgian Franc	10¼	44.9348	42.3430
Danish Krone	10½	8.34335	7.87127
Deutsche Mark	6.00	2.18592	2.05962
Neth.Guilder	7.00	2.46347	2.32143
French Franc	10¼	7.32384	6.90094
Italian Lira	12½	1631.10	1536.11
Japanese Yen	6	193.499	181.781
Norway Krone	8	8.44599	7.94885
Spanish Peseta	-	137.064	129.227
Swedish Krona	11	8.02224	7.53770
Swiss Franc	6.00	1.81986	1.72281
Greek Drach	20½	N/A	202.341
Irish Punt	-	N/A	0.767355

† European Commission Calculations.
* All SDR rates are for Sep.10

OTHER CURRENCIES

Sep 11	£	$
Argentina	11534.3 - 11614.4	6250.00 - 6290.00
Australia	2.2600 - 2.2625	1.2255 - 1.2265
Brazil	131.390 - 132.580	71.20 - 71.80
Finland	6.8955 - 6.9270	3.7420 - 3.7450
Greece	285.30 - 292.40	153.10 - 158.20
Hong Kong	14.3145 - 14.3275	7.7695 - 7.7715
Iran	126.60*	65.80*
Korea(Sth)	1320.05 - 1341.35	713.40 - 719.00
Kuwait	N/A	N/A
Luxembourg	60.45 - 60.55	32.65 - 32.75
Malaysia	4.9575 - 4.9695	2.6930 - 2.6950
Mexico	5331.25 - 5351.15	2888.00 - 2898.00
N.Zealand	2.9805 - 2.9865	1.6175 - 1.6200
Saudi Ar	6.9555 - 6.9610	3.7495 - 3.7505
Singapore	3.2540 - 3.2610	1.7670 - 1.7690
S.Af (Cm)	4.7570 - 4.7690	2.5850 - 2.5865
S.Af (Fn)	7.2390 - 7.3840	3.9215 - 4.0000
Taiwan	50.40 - 50.50	27.30 - 27.35
U.A.E.	6.8080 - 6.8180	3.6700 - 3.6735

* Selling rate

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8360 - 1.8575	1.8495 - 1.8505	1.09-1.06cpm	6.97	3.02-2.98pm	6.49
Ireland†	1.6805 - 1.6980	1.6880 - 1.6890	0.36-0.31cpm	2.38	1.34-1.24pm	3.06
Canada	1.1600 - 1.1700	1.1625 - 1.1635	0.46-0.49cdis	-4.90	1.27-1.32dis	-4.45
Netherlands	1.7795 - 1.7990	1.7910 - 1.7920	0.03-0.05cdis	-0.27	0.16-0.19dis	-0.39
Belgium	32.45 - 32.80	32.65 - 32.75	1-4cdis	-0.92	5-11dis	-0.98
Denmark	6.03¼ - 6.10	6.08 - 6.08½	1.29-1.34oredis	-2.59	3.75-4.15dis	-2.60
W. Germany	1.5790 - 1.5970	1.5900 - 1.5910	0.01-0.03pfdis	-0.15	0.14-0.17dis	-0.39
Portugal	140.50 - 141.10	140.50 - 140.60	50-65cdis	-4.91	190-230dis	-5.98
Spain	99.35 - 100.40	99.75 - 99.85	55-60cdis	-6.91	160-168dis	-6.57
Italy	1178 - 1190	1185¾ - 1186¼	1.00-1.15liredis	-1.09	6.80-7.80dis	-2.46
Norway	6.10¼ - 6.15¾	6.13¾ - 6.14¼	0.95-1.20oredis	-2.10	3.45-3.75dis	-2.35
France	5.29 - 5.35	5.32½ - 5.33	0.85-0.90cdis	-1.97	2.82-2.90dis	-2.15
Sweden	5.79 - 5.84¼	5.82 - 5.82½	2.15-2.30oredis	-4.59	6.80-7.05dis	-4.76
Japan	139.50 - 140.60	139.75 - 139.85	0.01-0.03ydis	-0.17	0.10-0.13dis	-0.33
Austria	11.11¼ - 11.22½	11.18¼ - 11.18¾	0.25-0.60grodis	-0.46	1.60-2.60dis	-0.75
Switzerland	1.3140 - 1.3360	1.3285 - 1.3295	0.03dis-par	-0.14	0.06-0.13dis	-0.29
ECU	1.2955 - 1.3095	1.2955 - 1.2965	0.18-0.16cpm	1.57	0.63-0.60pm	1.90

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8360 - 1.8575	1.8495 - 1.8505	1.09-1.06cpm	6.97	3.02-2.98pm	6.49
Canada	2.1700 - 2.1805	2.1515 - 2.1525	0.43-0.33cpm	2.12	1.20-1.06pm	2.10
Netherlands	3.30½ - 3.32	3.31 - 3.32	2-1¾cpm	6.79	5¼-5pm	6.18
Belgium	60.15 - 60.55	60.45 - 60.55	33-29cpm	6.15	87-82pm	5.59
Denmark	11.20¾ - 11.25¾	11.24¾ - 11.25¾	4¼-3⅞orepm	4.33	12-11¼pm	4.11
Ireland	1.0905 - 1.1025	1.0935 - 1.0945	0.39-0.34cpm	4.00	1.01-0.88pm	3.46
W. Germany	2.93½ - 2.94½	2.94 - 2.94½	1⅛-1⅝pfpm	6.88	4⅝-4⅜pm	6.20
Portugal	258.80 - 260.90	259.80 - 260.80	2-33cdis	-0.81	12-70dis	-0.63
Spain	183.95 - 185.45	184.90 - 185.20	8-parcpm	0.26	10-2pm	0.13
Italy	2185¼ - 2195¼	2193½ - 2194½	10-8lirepm	4.92	23-21pm	4.01
Norway	11.31¾ - 11.36¾	11.35½ - 11.36½	5-4½orepm	5.02	12¾-11¾pm	4.25
France	9.81½ - 9.87	9.85 - 9.86	4¼-4cpm	5.02	11-10⅝pm	4.39
Sweden	10.72¾ - 10.79¼	10.76¾ - 10.77¾	2⅞-2⅛orepm	2.51	5¼-4⅝pm	1.81
Japan	258 - 259½	258¼ - 259¼	1½-1¼ypm	6.67	4¼-4pm	6.28
Austria	20.61¼ - 20.72¼	20.69 - 20.72	11⅞-11gropm	6.63	31¼-28¾pm	5.80
Switzerland	2.44¼ - 2.46¼	2.45¼ - 2.46¼	1½-1⅜cpm	7.02	3⅞-3¾pm	6.21
ECU	1.4165 - 1.4200	1.4170 - 1.4180	0.66-0.63cpm	5.46	1.68-1.63pm	4.67

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.70-5.63cpm. 12 Month 10.02-9.87pm *Correction: US Closing rate for 10.09.90 1.8565-1.8575.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.3430	+0.42	+0.14	±1.5508
Danish Krone	7.79845	7.87127	+0.93	+0.65	±1.6453
German D-Mark	2.04446	2.05962	+0.74	+0.46	±1.1762
French Franc	6.85684	6.90094	+0.64	+0.36	±1.3618
Dutch Guilder	2.30958	2.32143	+0.77	+0.49	±1.5272
Irish Punt	0.763159	0.767355	+0.55	+0.27	±1.6689
Italian Lira	1529.70	1536.11	+0.42	+0.14	±1.5162
Spanish Peseta	132.889	129.227	-2.76	-3.04	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

Sep 11	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 - 14⅞	15 1/16 - 14 15/16	15 1/16 - 15	14 15/16 - 14 13/16	14 13/16 - 14 11/16	14⅝ - 14½
US Dollar	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8¼ - 8⅛
Can. Dollar	12⅝ - 12⅛	12⅝ - 12⅛	12½ - 12¼	12 5/16 - 12 3/16	12 - 11¾	11¾ - 11½
D. Guilder	8⅛ - 7⅞	8 3/16 - 8 1/16	8⅜ - 8¼	8½ - 8⅜	8⅝ - 8½	8 13/16 - 8 11/16
Sw. Franc	7⅞ - 7⅝	8 - 7¾	8⅛ - 8	8⅜ - 8¼	8⅝ - 8½	8⅝ - 8½
Deutschmark	8 1/16 - 7 15/16	8 3/16 - 8 1/16	8⅜ - 8¼	8½ - 8⅜	8 13/16 - 8 11/16	9 1/16 - 8 15/16
Fr. Franc	9 11/16 - 9 9/16	9 13/16 - 9 11/16	10 - 9⅞	10¼ - 10⅛	10½ - 10⅜	10 13/16 - 10 11/16
Italian Lira	13 - 11	7 - 6	9½ - 9	10⅝ - 10⅛	11⅜ - 11	11¾ - 11½
Belgian Franc	9 - 8¾	9⅛ - 8 15/16	9⅛ - 9	9 5/16 - 9 3/16	9 7/16 - 9 5/16	9¾ - 9⅝
Yen	7¾ - 7⅝	7 15/16 - 7 13/16	8⅜ - 8¼	8½ - 8⅜	8 13/16 - 8 11/16	8⅞ - 8¾
D. Krone	10⅜ - 10⅛	10⅜ - 10⅛	10⅜ - 10⅛	10⅜ - 10⅛	10⅜ - 10⅛	10⅞ - 10⅝
Asian $Sing	8 5/16 - 8 3/16	8 5/16 - 8 3/16	8 5/16 - 8 3/16	8⅛ - 8	8⅛ - 8	8¼ - 8⅛

Long term Eurodollars: two years 8⅞-8¾ per cent; three years 8 15/16-8 13/16 per cent; four years 9-8⅞ per cent; five years 9 1/16-9 1/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sept 11	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.850	2.943	258.8	9.855	2.458	3.315	2194	2.152	60.50
$	0.541	1	1.591	139.9	5.327	1.329	1.792	1186	1.163	32.70
DM	0.340	0.629	1	87.94	3.349	0.835	1.126	745.5	0.731	20.56
YEN	3.864	7.148	11.37	1000.	38.08	9.498	12.81	8478	8.315	233.8
F Fr.	1.015	1.877	2.986	262.6	10.	2.494	3.364	2226	2.184	61.39
S Fr.	0.407	0.753	1.197	105.3	4.009	1	1.349	892.6	0.876	24.61
H Fl.	0.302	0.558	0.888	78.07	2.973	0.741	1	661.8	0.649	18.25
Lira	0.456	0.843	1.341	118.0	4.492	1.120	1.511	1000.	0.981	27.58
C $	0.465	0.860	1.368	120.3	4.579	1.142	1.540	1020	1	28.11
B Fr.	1.653	3.058	4.864	427.8	16.29	4.063	5.479	3626	3.557	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls Mar	Puts-settlements Dec	Puts MAR
80	3-56	4-59	0-34	0-59
81	3-07	4-14	0-49	1-14
82	2-27	3-37	1-05	1-37
83	1-53	3-00	1-31	2-00
84	1-23	2-31	2-01	2-31
85	0-63	2-02	2-41	3-02
86	0-45	1-41	3-23	3-41
87	0-32	1-19	4-10	4-19

Estimated volume total, Calls 935 Puts 2646
Previous day's open int. Calls 10361 Puts 9556

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls Mar	Puts-settlements Dec	Puts MAR
86	3-47	4-02	0-47	1-26
87	3-03	3-26	1-03	1-50
88	2-24	2-55	1-24	2-15
89	1-50	2-23	1-50	2-47
90	1-23	1-59	2-23	3-19
91	0-62	1-36	2-62	3-60
92	0-43	1-15	3-43	4-39
93	0-29	0-63	4-29	5-23

Estimated volume total, Calls 20 Puts 0
Previous day's open int. Calls 1235 Puts 1015

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls Mar	Puts-settlements Dec	Puts MAR
8000	1.99	2.28	0.47	0.91
8050	1.63	1.97	0.61	1.10
8100	1.31	1.69	0.79	1.32
8150	1.03	1.42	1.01	1.55
8200	0.80	1.20	1.28	1.83
8250	0.61	1.00	1.59	2.13
8300	0.46	0.82	1.94	2.45
8350	0.33	0.68	2.31	2.81

Estimated volume total, Calls 3610 Puts 4012
Previous day's open int. Calls 26147 Puts 41876

LIFFE EUROMARK OPTIONS DM1m points of 100%

Strike Price	Calls-settlements Sep	Calls Dec	Puts-settlements Sep	Puts Dec
9075	0.79	0.60	0	0.08
9100	0.54	0.39	0	0.12
9125	0.30	0.22	0.01	0.20
9150	0.06	0.11	0.02	0.34
9175	0.01	0.05	0.22	0.53
9200	0	0.03	0.46	0.76
9225	0	0.01	0.71	0.99
9250	0	0	0.96	1.23

Estimated volume total, Calls 240 Puts 650
Previous day's open int. Calls 20602 Puts 24602

LIFFE EURODOLLAR OPTIONS $1m points of 100%

Strike Price	Calls-settlements Sep	Calls Dec	Puts-settlements Sep	Puts Dec
9100	0.93	1.00	0	0
9125	0.68	0.76	0	0.01
9150	0.43	0.53	0	0.03
9175	0.19	0.36	0.01	0.11
9200	0.01	0.21	0.08	0.21
9225	0.01	0.08	0.33	0.33
9250	0	0.03	0.57	0.53
9275	0	0.01	0.82	0.76

Estimated volume total, Calls 20 Puts 105
Previous day's open int. Calls 6639 Puts 5811

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

Strike Price	Calls-settlements Sep	Calls Dec	Puts-settlements Sep	Puts Dec
8425	0.83	1.51	0	0.02
8450	0.58	1.27	0	0.03
8475	0.33	1.05	0	0.06
8500	0.10	0.83	0.02	0.09
8525	0.02	0.63	0.19	0.14
8550	0	0.47	0.42	0.23
8575	0	0.35	0.67	0.36
8600	0	0.25	0.92	0.51

Estimated volume total, Calls 4743 Puts 1446
Previous day's open int. Calls 75529 Puts 66491

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	82-25	82-20	82-09	82-12
Dec	83-11	83-12	82-20	82-26
Mar	84-00			83-15

Estimated volume 20950 (16885)
Previous day's open int. 24852 (25546)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	89-14	89-14	89-12	90-02
Dec	89-00	89-03	88-28	89-19
Mar	88-20			89-09

Estimated volume 2668 (1990)
Previous day's open int. 4129 (4013)

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	81.52	81.56	81.38	81.58
Mar	81.37	81.39	81.25	81.43
Jun				

Estimated volume 18983 (30449)
Previous day's open int. 71667 (71541)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Dec	88.15	88.24	88.10	88.81
Mar	88.25			88.69

Estimated volume 148 (65)
Previous day's open int. 685 (661)

THREE MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev.
Sep	85.08	85.08	85.06	85.09
Dec	85.74	85.75	85.67	85.70
Mar	86.69	86.70	86.59	86.62
Jun	87.37	87.39	87.30	87.30
Sep	87.78	87.78	87.70	87.69
Dec	87.99	88.00	87.89	87.87
Mar	88.01	88.04	87.90	87.88
Jun	87.99	87.99	87.91	87.85
Sep	88.00	87.83	87.83	87.86
Dec	88.00			87.86
Mar	88.00			87.86
Jun	88.00			87.86

Est. Vol. (inc. figs. not shown) 21183 (22983)
Previous day's open int. 174423 (175472)

THREE MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev.
Sep	91.93	91.94	91.92	92.00
Dec	92.00	92.02	91.99	92.13
Mar	91.99	92.00	91.98	92.10
Jun	91.85	91.86	91.84	91.94
Sep	91.65			91.72
Dec	91.37			91.43
Mar	91.29	91.29	91.28	91.33
Jun	91.18			91.22

Est. Vol. (inc. figs. not shown) 5679 (3806)
Previous day's open int. 42232 (41350)

THREE MONTH EUROMARK DM 1m points of 100%

	Close	High	Low	Prev.
Sep	91.54	91.54	91.51	91.53
Dec	91.27	91.28	91.22	91.28
Mar	91.11	91.13	91.08	91.14
Jun	91.06	91.06	91.02	91.07
Sep	91.03	91.01	91.00	91.04
Dec	91.03			91.04
Mar	91.03	91.01	91.01	91.04
Jun	91.03			91.04

Estimated volume 7867 (9665)
Previous day's open int. 62082 (62540)

THREE MONTH ECU ECU 1m points of 100%

	Close	High	Low	Prev.
Sep	89.90	89.91	89.86	89.89
Dec	89.70	89.71	89.66	89.75
Mar	89.75			89.79
Jun	89.82			89.86

Estimated volume 168 (330)
Previous day's open int. 2310 (2401)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev.
Sep	2158.0	2170.0	2145.0	2164.0
Dec	2212.5	2221.0	2202.0	2219.5
Mar	2250.5			2257.5

Estimated volume 4363 (4295)
Previous day's open int. 26838 (27078)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8500	1.8393	1.8200	1.7934	1.7505

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.8396	1.8426	1.8358	1.8490
Dec	1.8112	1.8130	1.8056	1.8186
Mar	1.7870	1.7870	1.7780	1.7908

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
Sep	89-16	89-18	89-08	89-12
Dec	89-01	89-04	88-25	88-30
Mar	88-20	88-24	88-15	88-18
Jun	88-09	88-10	88-05	88-06
Sep	87-31	87-31	87-26	87-27
Dec	-	-	-	87-16
Mar	-	-	-	87-06
Jun	-	-	-	86-29
Sep	-	-	-	86-20
Dec	-	-	-	86-11
Mar	-	-	-	-

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	92.64	92.64	92.63	92.64
Dec	92.86	92.87	92.82	92.86
Mar	92.90	92.90	92.86	92.91
Jun	-	-	-	92.80
Sep	-	-	-	92.75

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.7513	0.7525	0.7493	0.7595
Dec	0.7504	0.7518	0.7487	0.7588
Mar	0.7500	0.7500	0.7460	0.7575
Jun	0.7485	0.7485	0.7485	0.7560

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
1.775	16.50	6.71	7.03	17.13	-	0.90	2.04	2.83
1.800	14.03	4.74	5.27	5.43	0.10	1.56	0.10	3.88
1.825	1.97	3.12	3.81	4.04	0.45	2.60	4.15	5.15
1.850	0.75	2.03	2.69	3.20	1.57	3.80	5.61	6.66
1.875	0.20	1.19	1.92	2.15	3.43	5.49	7.29	8.35
1.900	0.06	0.73	1.37	1.62	5.76	7.44	9.15	10.21
1.925	-	0.37	0.90	1.11	8.22	9.58	11.17	12.20

Previous day's open int: Calls 24,775 Puts 21,597 (All currencies)
Previous day's volume: Calls 405,125 Puts 482,468 (All currencies)

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.7123	0.7131	0.7115	0.7171
Dec	0.7117	0.7127	0.7108	0.7165
Mar	0.7100	0.7100	0.7100	0.7153

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
Sep	0.6276	0.6285	0.6263	0.6315
Dec	0.6268	0.6277	0.6258	0.6308
Mar	0.6253	0.6250	0.6250	0.6294

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	91.93	91.95	91.92	91.95
Dec	92.01	92.02	91.98	92.02
Mar	91.99	92.00	91.98	91.99
Jun	91.85	91.86	91.84	91.85
Sep	91.65	91.66	91.64	91.65
Dec	91.38	91.38	91.37	91.38
Mar	91.29	91.29	91.28	91.29
Jun	91.18	91.19	91.17	91.18

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Sep	321.60	322.60	320.60	321.45
Dec	325.40	326.20	324.25	325.10
Mar	-	328.50	327.50	328.00

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open int.
September	98.16	98.24	-0.10	98.26	98.04	10.32	40,225
December	98.20	98.26	-0.10	98.28	98.08	10.32	40,816
March	98.14	98.04	-0.26	98.14	98.02	10.33	5,189
June	-	-	-	-	-	10.33	92

Estimated volume 54,387 Total Open Interest 86,322

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike %	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
96	-	-	-	0.70	-	-
97	2.18	2.46	-	0.96	1.41	-
98	1.56	-	-	1.36	-	-
99	1.05	-	-	1.82	-	-
100	0.65	1.03	-	-	-	-
101	0.38	-	-	3.11	-	-
Open Int	N/A	N/A	N/A	N/A	N/A	N/A

Estimated volume 17,143 Total Open Interest N/A

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
September	89.68	89.69	-0.03	89.70	89.68	10.32	8,023
December	89.75	89.78	+0.01	89.78	89.69	10.22	13,914
March	89.68	89.79	+0.06	89.79	89.68	10.22	3,091
June	89.70	89.70	-0.03	89.70	89.70	10.22	577

Estimated volume 5,359 Total Open Interest 25,605

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open int.
September	1645.0	1610.0	-8.0	1661.0	1640.0	9,794
October	1649.0	1654.0	-19.0	1658.0	1649.5	685
November	1657.0	1657.0	-27.0	1657.0	1657.0	0
December	-	-	-	-	-	51

Estimated volume 5,489 Total Open Interest 10,530

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Willmsn Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
Cl. Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Sarewise 8.5%. Top Tier-£50,000+ instant access 13.7% & Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

MONEY MARKETS

Europe rates steady

INTEREST RATES held generally steady in Europe yesterday. The Belgian National Bank took the opportunity to make the third consecutive weekly cut in its important three-month Treasury bill rate, as the Belgian franc remained firm in the European Monetary System. At the same time Dutch and French intervention rates were left unchanged at tenders to supply money market liquidity. The German Bundesbank will announce the terms of this week's variable bid rate tender today, while in London money market rates showed small mixed changes.

UK clearing bank base lending rate 15 per cent from October 5, 1989

Three-month sterling interbank was quoted at 15-14⅞ per cent compared with 14 15/16-14⅞ previously and 12-month money was 14⅝-14 7/16 per cent against 14 9/16-14 7/16.

Trading in short sterling futures was subdued on Liffe. December delivery opened weaker at 85.67. This was the day's low, with the contract climbing to a high of 85.75, before closing at 85.74 compared with 85.70.

Credit was in fairly comfortable supply on the London money market. The Bank of England forecast a day-to-day shortage of £150m, but did not operate in the market throughout the day.

Bills maturing outside official hands, repayment of late assistance and a take-up of Treasury bills added a net £41m to liquidity. A fall in the note circulation added another £110m. These factors were outweighed by Exchequer transactions draining £180m and bank balances below target of £115m.

In Brussels the Belgian National Bank cut the interest rate on three-month Treasury bills - its main instrument of credit policy - by 0.05 per cent to 9.05 per cent. One and two-month rates were reduced by a similar amount to 9.00 per cent and 9.10 per cent respectively. This was the eleventh cut since Belgium decided to link the franc more closely to the D-Mark in May.

In Amsterdam the Dutch Central Bank left its intervention rate at 8 per cent when providing liquidity via eight-day special advances.

In Paris the Bank of France kept its money market intervention rate at 9¼ per cent and the five to 10-day repurchase rate at 10¼ per cent when injecting funds at a securities repurchase tender.

In Frankfurt the Bundesbank offered a 28-day securities repurchase agreement tender to replace an expiring facility of DM23.2bn

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept 11) 3 months US dollars		6 months US Dollars	
bid 8	offer 8⅛	bid 8	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10	One month	7.77	Three year	8.25
Broker loan rate	9¾	Two month	7.66	Four year	8.40
Fed.funds	8	Three month	7.67	Five year	8.49
Fed. funds at intervention	-	Six month	7.75	Seven year	8.73
		One year	7.80	10-year	8.84
		Two year	8.09	30-year	8.97

Sept 11	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.95-8.05	8.10-8.25	8.20-8.35	8.30-8.45	8.60-8.75	8.00
Paris	9 13/16-9 15/16	9¾-10	10 1/16-10 3/16	10 3/16-10 5/16	10⅜-10½	9.50
Zurich	5⅞-6⅛	7⅞-8	-	8⅛-8⅜	-	-
Amsterdam	8.18-8.31	8.28-8.33	-	8.43-8.53	-	-
Tokyo	7 13/16-7 15/16	8 3/16-8 5/16	-	8 3/16-8¼	-	-
Milan	10⅝-10⅞	9⅝-9⅞	-	10-11⅛	-	-
Brussels	8.90	9-9⅛	-	9 3/16-9¼	-	-
Dublin	9¾-10	10⅝-10¾	11 1/16-11 3/16	11¼-11⅜	11⅝-11¾	-

LONDON MONEY RATES

Sep 11	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¼	15	15	15	14⅞	14⅝
Interbank Bid	14½	14⅞	14⅞	14⅞	14¾	14 7/16
Sterling CDs	-	-	14 13/16	14 13/16	14¾	14⅝
Local Authority Deps.	14⅞	14⅞	14 15/16	14 15/16	14⅞	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15¼	14⅞	14 13/16	14½	-	-
Company Deposits	-	-	15	15	14 13/16	14⅝
Finance House Deposits	-	-	15	14 13/16	14⅝	14½
Treasury Bills (Buy)	-	-	14 11/16	14 11/16	-	-
Bank Bills (Buy)	-	-	14 23/32	14 23/32	13 31/32	-
Fine Trade Bills (Buy)	-	-	15 11/32	14 25/32	14 13/32	-
Dollar CDs	-	-	8.10	8.07	8.07	8.20
SDR Linked Dep. Offer	-	-	9 3/16	9 5/16	9 5/16	9⅞
SDR Linked Dep. Bid	-	-	8 15/16	9 3/16	9 3/16	9⅝
ECU Linked Dep. Offer	-	-	9½	9 11/16	10¼	10⅜
ECU Linked Dep. Bid	-	-	9⅝	9 13/16	10⅜	10⅝

Treasury Bills (sell); one-month 14⅝ per cent; three months 14 5/16 per cent; six months 13 15/16 per cent; Bank Bills (sell): one-month 14 13/16 per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.2984 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1990. Agreed rates for period Sept 26, 1990 to Oct 23, 1990, Scheme I: 15.80 p.c., Schemes II & III: 16.27 p.c. Reference rate for period Aug 1, 1990 to Aug 31, 1990, Scheme IV&V: 15.021 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from September 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Xiphias International Investment Fd Ltd; CAF Money Management Co Ltd; The COIF Charities Deposit Account; Cent. Bd. of Fin. of Church of England; Gartmore Money Management Ltd — [illegible]

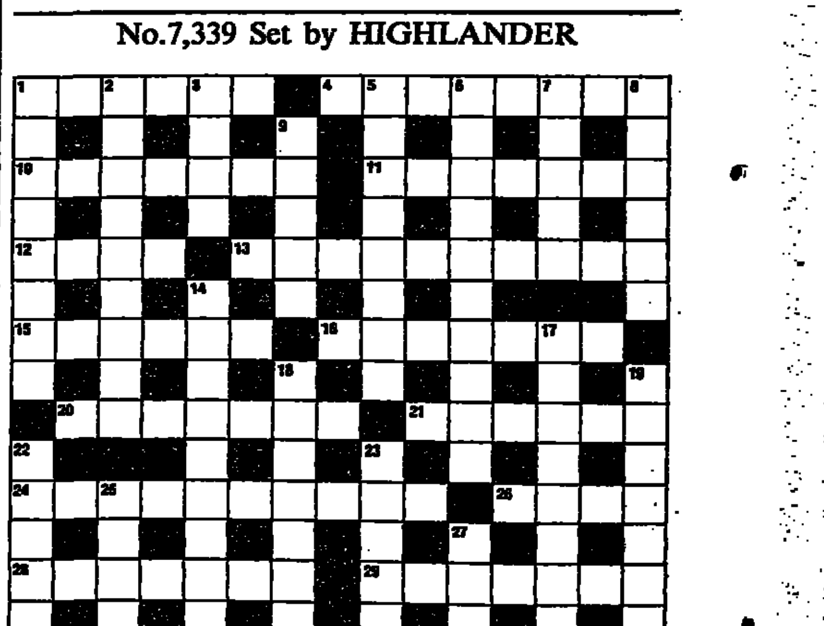
Money Market Bank Accounts

Aitken Hume Bank plc; Allied Trust Bank Ltd; American Express Bank Ltd; Bank of Ireland High Interest Cheque Acc; Bank of Scotland; Barclays Capital Advantage Account; Barclays Prime Account H.I.C.A.; Benchmark Bank PLC Premier Account; B & C Merchant Bank PLC Portfolio Acc; Brown Shipley & Co Ltd; Caledonian Bank Plc; Cater Allen Ltd; Charterhouse Bank Limited; Citibank Savings; Clydesdale Bank PLC; Co-operative Bank Top Tier; Coutts & Co; Darlington & Co Ltd; Edington Plc; Financial & General Bank plc; Gartmore Money Management Ltd; Girobank plc High Interest Cheque Acc; Humberclyde Finance Group; Lloyds Bank - Investment Account; M & G/Kleinwort Benson; Midland Bank plc; NatWest Special Reserve Account; Provincial Bank PLC; Royal Bank of Scotland plc Premium Acc; Save & Prosper/Robert Fleming; Sterling Bank & Trust Ltd; TSB Bank plc; Tyndall & Co Ltd; United Dominions Trust Ltd; Western Trust High Interest Cheque Acc; Wimbledon & South West Finance Co Ltd — [illegible]

JOTTER PAD

CROSSWORD

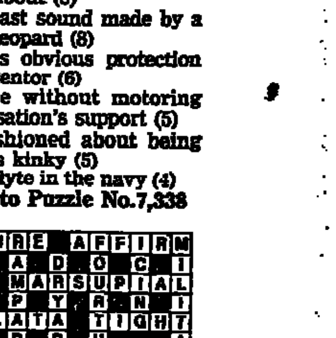
No.7,339 Set by HIGHLANDER



ACROSS
1 Duty on tea for example is overturned (6)
4 Old Italian survey follows true version (8)
10 Unreturned patent relating to atomic centre (7)
11 Small isolated areas where pots are collected (7)
12 Terminates alliances for foreign policy reasons (4)
13 Market gardener has to look after railway staff (10)
15 I'm about to stay in the same place (6)
16 Argue in favour of taking examination later (7)
20 Books given to fellow Turk (7)
21 Also reported on jailbird (6)
24 Honestly, sailor has almost fallen in the water (5,5)
26 Jolson to marry female singer (4)
28 Catches parents on the hop (7)
29 Stage people say drop hanging: short article inside (7)
30 Let in dry spell differently, in a fashion that's stylish (8)
31 Be an inseparable part of where you are now (6)

DOWN
1 Drug ban is lifted: container is outside (8)
2 Old would-be gold producer claims the original (9)
3 Sort of song to produce considerable merriment (4)
5 Records attempt to reproduce wall-hanging fabric (8)
6 New clue helping with intestinal problem (10)
7 The best stuff is round the end (5)
8 Japanese play on grass, moving forward with care (6)
9 Sticking up and stuck-up (5)
14 Support English workman in advance (10)
17 Grass-cutter gets welcome time off for illness (4,5)
18 Bird follows vehicle to roundabout (8)
19 Broadcast sound made by a snow leopard (8)
22 It gives obvious protection for inventor (6)
23 Survive without motoring organisation's support (5)
25 Old-fashioned about being seen as kinky (5)
27 Troglodyte in the navy (4)

Solution to Puzzle No.7,338



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Sept. 11	Sept. 10	Sept. 7	Sept. 6	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
†Industrials	2612.62	2615.59	2619.55	2596.29	2999.75 (16/7)	2483.42 (23/8)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.51	89.54	89.50	89.50	93.04 (3/1)	88.48 (2/5)	—	—
Transport	909.84	908.10	908.28	892.20	1212.77 (6/6)	861.31 (23/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	200.08	200.45	200.89	198.25	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

†Day's High 2365.34 (2665.35) Low 2586.88 (2600.9)

STANDARD AND POOR'S

	Sept. 11	Sept. 10	Sept. 7	Sept. 6	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	321.04	321.63	323.40	320.46	368.95 (16/7)	307.06 (23/8)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials (Latest)	380.24	380.57	382.67	379.50	437.37 (16/7)	362.23 (23/8)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	23.64	23.92	24.03	23.76	31.87 (3/1)	22.87 (23/8)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	176.39	176.70	177.51	176.06	201.13 (16/7)	168.88 (23/8)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	323.01	323.21	323.77	324.50	382.45 (5/1)	315.85 (23/8)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	379.49	381.73	380.38	378.78	469.60 (16/7)	360.22 (23/8)	485.73 (9/10/89)	54.87 (31/10/72)

	Sep 7	Aug 24	Aug 17	year ago (approx.)
Dow Industrial Div. Yield	3.86	4.29	4.10	3.70

	Sept 5	Aug 29	Aug 22	year ago (approx.)
S & P Industrial div. yield	3.24	3.24	3.34	2.81
S & P Indl. P/E ratio	15.47	15.47	14.96	14.42

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Tandem Comp	2,820,100	11½	- 2⅛
Toys R US	2,027,400	23½	+ 1⅛
Wal-Mart Stores	1,575,700	26¼	- ¼
Pepsico	1,538,700	25⅛	+ ¼¼
Am T & T	1,489,400	31⅛	+ ¼
IBM	1,435,000	107½	+ 1⅝
Compaq Computer	1,342,600	43¼	- 2
Philip Morris	1,307,400	45	+ ⅛
Citicorp	1,246,600	17¾	- ⅞
Circ City	1,178,200	15⅝	- 1½

TRADING ACTIVITY

† Volume (Millions)	Sept. 11	Sept. 10	Sept. 7
New York	113.220	121.165	123.800
Amex	7.565	10.588	10.149
NASDAQ	(u)	98.259	103.159
Issues Traded	1,943	1,962	1,953
Rises	601	761	907
Falls	833	726	543
Unchanged	509	475	503
New Highs	5	7	12
New Lows	91	76	63

CANADA

TORONTO	Sept 11	Sept 10	Sept 7	Sept 6	1990 HIGH	1990 LOW
Metals & Minerals	3005.40	2984.20	2976.62	2987.08	3453.05 (4/1)	2850.80 (23/4)
Composite	3272.30	3287.70	3287.02	3312.80	4009.47 (3/1)	3287.02 (7/9)
MONTREAL Portfolio	1710.44	1721.82	1717.50	1731.63	2060.90 (3/1)	1717.50 (7/9)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 11 September 1990

	Stocks Traded	Closing Prices	Change on day
Showa Line	15.0m	1,040	-10
Iwatani	11.7m	1,200	+40
Kurabo	9.8m	1,870	+70
Minebea	9.4m	1,080	+100
Japan Mtl&Chm	8.9m	2,040	+120
Kawasaki Stl	8.1m	430	-17
Hitachi	7.9m	1,260	-30
Nippon Steel	7.9m	461	-5
Toyobo	6.8m	639	+79
Mitsubishi Gas	6.7m	795	+14

4pm prices September 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	15	AAR	.48	3.1	10	548	15⅝	15⅛	15½	+ ¼
9⅛	7¼	ACM n	1.01	13.		79	8	7⅞	7⅞	– ⅛
11⅝	9⅞	ACMIn	1.26	13.		1010	9⅞	9⅝	9⅝	– ⅛
9⅝	7	ACM M	n1.01	14.		126	7⅜	7¼	7⅜	
12⅛	10	ACMMM	1.50	13.		236	11⅝	11⅜	11½	– ⅛
11½	9⅞	ACM Sc	1.26	14.		1621	9½	d 9¼	9¼	– ⅜
9⅝	7¼	ACMSp	1.07	12.		387	8⅝	8	8⅝	
24⅝	14⅝	AL Lab	.16	.8	18	91	20⅛	19⅞	20⅛	+ ⅛
5⅜	1⅜	AM Intl				187	1⅝	1⅝	1⅝	
29⅛	7	AM In pf	2	23.		34	8⅞	8½	8⅝	– ¼
107¼	43⅛	AMR			10	3162	44¾	43⅞	44½	
24⅝	22¼	ANR pf	2.12	8.9		4	23¾	23¾	23¾	
4¼	2⅛	ARX			10	60	3⅛	3	3⅛	+ ⅛
72⅞	41⅝	ASA	3a	6.3		662	48½	46¾	47½	+ ½
45⅝	30⅝	AbtLab	s.84	2.1	20	4169	41	40¼	40½	
15	11⅛	Abitibi g	.50			48	13⅞	13⅜	13⅜	
11⅝	5⅞	AcmeC	.40	6.8	7	95	6⅛	5⅞	5⅞	– ⅛
9⅝	6⅜	AcmeE	.32	4.7	9	13	6⅞	6¾	6⅞	
32¾	18⅞	Acuson s			25	290	30	29¼	29¼	– ⅜
16⅞	14⅛	AdaEx	2.05e	13.		66	15½	15⅜	15⅜	
15⅜	10	Adobe				76	12⅝	12⅜	12½	+ ⅛
20¼	17¾	Adob pf	1.84	10.		13	18⅛	18	18	– ⅛
21⅝	20⅛	Adob pf	2.40	12.		80	20½	20⅜	20½	
11⅜	4⅞	AMD			24	1389	6⅛	5⅞	6	
32⅞	23¾	AMD pf	3	12.		37	24¾	24	24⅛	– 1⅛
9¼	2⅝	Advest	.16	5.1	38	272	3⅛	2⅞	3⅛	+ ⅛
62½	42⅝	AetnLf	2.76	6.5	7	2338	43⅛	d42½	42½	– ⅝
13¾	8¼	AfilPb	.24	2.8		113	9⅛	8⅞	8⅞	+ ⅛
25	15⅝	Ahmans	.88	5.4	7	1468	16⅜	16⅛	16¼	– ¼
3½	1⅞	Aileen			7	11	2⅝	2⅝	2⅝	
61	43	AirPrd	1.44	3.2	11	618	45½	45	45	– ⅜
27	16⅜	AirFrt s	.30	1.5	11	331	21¼	20½	20⅝	– ⅜
24⅞	13⅞	Airgas			26	272	15¾	15⅜	15½	+ ¼
20¾	16½	Airlease	2.52	14.	9	21	17⅞	17⅞	17⅞	+ ⅛
[illegible]										

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
67⅞	35½	Xerox	3	7.6		72080	40	39¼	39½	− ¼
49	45½	Xerox pf4.13		9.0		1	45⅞	45⅞	45⅞	− ⅛
33½	16½	XTRA	.72	4.1		531	17⅞	17⅝	17⅝	
25½	16⅛	XTRA pf1.94		11.		685	17	17	17	+ ¼
4	1¼	Zapata				525	1⅝	1½	1½	− ⅛
17¾	5⅛	ZenithE				465	6	6⅛	6⅝	
20	13⅞	ZenNtl	.88	6.5	8	6	13⅝	13⅝	13⅝	
9	4½	Zenix	.90	17.		104	5½	5⅜	5⅜	− ⅛
18½	10¾	Zero	.40	3.6	11	38	11½	11⅛	11⅛	− ⅛
51⅛	34⅝	Zurnin	.76	2.0	16	101	37⅞	36⅞	37⅞	+ ⅝
12⅝	10⅛	Zweig	1.21e	11.		217	10¾	10⅝	10⅝	
10	8⅝	ZweigTl	.96	11.		740	8⅞	8⅝	8⅝	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices September 11

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
			— H–H —				
Hasbro	.20	10	400	14⅜	14⅛	14⅜	
HlthCh			80	⅜	⅜	⅜	
Hlhvst			63	2⅛	2⅛	2⅛	
HeritEn			31	1⅛	1⅛	1⅛	− ⅛
Hilhav a			1070	1½	1⅜	1½	
HollyCp	.40	11	10	27	27	27	+ ⅛
HrnHar			122	3⅞	3½	3½	− ⅛
HovnEn		5	6	4⅛	4	4	
			— I–I —				
ICH			130	3⅝	3½	3⅝	
ISS	.24	24	369	11¾	11¾	11¾	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PollCp	.56	17	280	29⅝	28⅞	29⅛	− ⅛
PegGld	.10e	30	370	11¼	10⅞	11⅛	+ ⅛
PeopBc	.60	8	10	14⅞	14⅝	14⅝	
PerlnlC	.80	10	1	15⅝	15⅝	15⅝	− ⅛
PtHeal	1.70		100	11⅞	11⅛	11⅛	+ ⅛
PhLD	.14e	5	208	9⅞	9⅜	9⅜	− ⅜
PlonrSy			16	⅛	1-16	⅛	+ 1-16
PitDsm	.80	12	40	30	30	30	+ ⅛
Pitwy A	.70	10	47	22	22	22	
PlyGem	.12	11	35	6⅛	5⅞	6	
Presd B		172	240	6⅞	6½	6⅞	+ ⅛
Presd A	.10		73	6⅝	6⅜	6⅝	− ⅛
PrcCom			278	2	1⅞	1⅞	
Prism		7	12	2¼	2⅛	2¼	+ ⅛
ProlCre			30	5⅛	5	5⅛	+ ⅛
			— R–R —				
RSW			60	6	5¾	5⅞	− ⅛
ReCap		10	15	12⅝	12⅝	12⅝	

NASDAQ NATIONAL MARKET

3pm prices September 11

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Wolv wt			315	4¾	4⅛	4⅛	− ⅛
Worthg	.60	16	43	21½	21¼	21½	+ ¼
Wyman	.60		152	10	9½	9½	− ½
			−X−Y−Z−				
XL Dta		5	47	7⅝	7⅜	7½	+ ⅛
XOMA			864	19¼	18⅞	18⅞	− ⅜
Xicor			338	2	d 1⅞	1⅞	
YanEnS	1.52e	15	13	19¾	19¾	19¾	− ½
YelowF	.82	47	366	23⅞	23⅜	23⅝	
YorkRs		13	230	10⅝	10¼	10½	− ⅛

AMERICA

Tandem warning triggers defensive mood in equities

Wall Street

AN EARLY rally in crude oil prices, coupled with a warning from Tandem Computers that it would implement cost-cutting measures to preserve profit margins, put the equity market on the defensive yesterday, *writes Janet Bush in New York.*

At one stage, the Dow Jones Industrial Average was down more than 20 points, but it picked up as crude oil prices fell back and finished only 2.97 off on the day at 2,612.62. New York SE volume remained low, with 114m shares traded. The Dow on Monday surrendered an initial 30-point rise to end modestly lower on balance.

Crude oil futures unexpectedly held above $31 a barrel at the opening, which depressed equity prices. The oil futures then fell back a little, helping equities to pare their early losses. In mid-afternoon, October oil futures traded on the New York Mercantile Exchange were 35 cents lower at $30.95 a barrel.

In an uncertain, low volume market as at present, a single piece of clear news can start a wave of buying or selling. Yesterday the trigger for action was a statement from Tandem warning that its growth rate might not meet Wall Street expectations, and that it would implement cost-cutting measures. The company's shares had dropped $2⅛ to $11⅛ in heavy trading by mid-session.

Among semiconductor issues, Motorola declined $1⅜ to $59⅞, Texas Instruments jumped $3⅛ to $29⅛ and Advanced Micro Devices was unchanged at $6. An industry report said that the book-to-bill ratio – a measure of the relationship between new orders and shipments – had slipped in July.

Goodyear Tire & Rubber slipped $⅝ to $20⅞ after Moody's Investors Service, the US credit rating agency, placed the company's ratings under review for a possible downgrading, citing concern about its profits outlook.

Bally Manufacturing put on $⅜ to $7⅞ in heavy trading. Investor Mr Harold Goldberg has accumulated nearly $15m worth, or 6 per cent, of the company's shares and, with management's support, would like to take a more active role in strengthening the company's operations, according to a US press report.

BCE hardened $⅛ to $30⅞. The company has agreed to sell its 48.8 per cent interest in TransCanada Pipelines for about $1.1bn.

Fluor gained $1 at $37 after reporting that net income in its fiscal quarter ended July had risen 18 per cent from a year ago, which was at the high end of analysts' expectations.

Among blue chip issues, General Electric improved $1⅛ to $62⅛ and IBM $1⅛ to $107⅞, but Compaq Computer retreated $1⅞ to $43⅛.

Oil shares were generally lower, with Chevron down $⅝ at $76⅛, Texaco $⅜ off at $62⅞ and Mobil $⅛ cheaper at $65⅛.

Canada

THE TORONTO market drifted lower in moderate trading. The composite index lost 15.4 to 3,272.2 as declining issues outscored advances by 376 to 191. Volume totalled 22.8m shares, modestly above Monday's 20.2m.

Mr Fred Ketchen, chief trader with Scotia McLeod Inc, said that a lot of investors were sitting on the sidelines. "They may like the name but they may not yet like the price."

Investors were waiting for US President George Bush's speech last night before a joint session of Congress, for details of his policy on the Middle East crisis and the US budget.

Eleven of the 14 stock groups were down. Pipelines showed the day's biggest decline, of 4.4 per cent, as TransCanada PipeLines tumbled C$1⅛ to C$15⅞. BCE said it would sell its stake in TransCanada to a group of Canadian investment dealers for subsequent distribution to the public. The mining and gold groups gained ground.

Economic slowdown threatens Singapore

Joyce Quek explains why the city state has more than the oil crisis to worry about

THE RECENT downtrend in Singapore, accompanied by a crippling drop in volume, need not be viewed in an entirely negative light, according to the more optimistic analysts, who think that bargain hunting may soon begin. "Very soon, Singapore stocks will be so cheap that they will be attractive again," says Ms Bibiana Yeow, local head of research at Smith New Court. "The downside is another 10 per cent and, at that level, Singapore will look a very good buy."

Most analysts, however, are still revising their market assessments downwards, as a result of the impact of internal factors – such as the Singapore economy – and external ones, in particular the Middle East conflict.

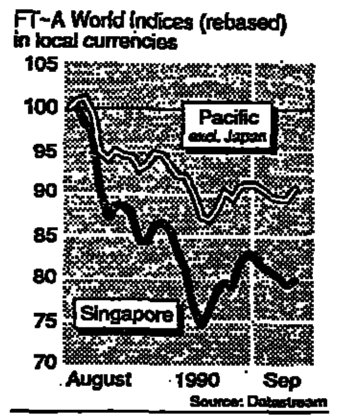
The market has fallen sharply since August 2. At the end of July, Singapore had risen 12 per cent in 1990 in local currency terms, according to the FT-Actuaries World Indices. By the end of last week, those gains had been wiped out and the market stood 12 per cent lower on the year.

Meanwhile, the market has suffered another embarrassing drop in volume. In the first week of this year, Clob International, the over-the-counter market for regional, and mainly Malaysian stocks, was set up after the split with the Kuala Lumpur Stock Exchange (KLSE), and a flurry of new issues took place; 708m shares were traded in four working days, and the daily volume figure was frequently over 200m shares in February. All that had changed, without an obvious explanation, by April, with daily volume as low as 25.1m shares in mid-month.

In the last two weeks, volume has slumped again, through a daily average of 86.9m units in the last week of August to only 37.6m units in the first week of September. Yesterday, there were 47.7m shares traded, less than the 69.1m traded on the KLSE, against which Singapore has generally done better.

The Straits Times Industrial Index fell 3.32 to 1,243.18 yesterday in narrowly mixed trading, with gainers and losers level. Institutions and individual investors have mostly stayed on the sidelines, although both have made forays into the market intermittently. Although the local market has occasionally bucked the international downward trend in recent weeks, it has largely suffered from the country's own economic performance as well as the oil crisis, and the collapse of the Nikkei index in Tokyo.

FT-A World Indices (rebased) in local currencies



Source: Datastream

The Singapore economy is slowing. Analysts, over-confident after 1990's first-quarter gain in gross domestic product (GDP) of 10 per cent, had projected a rise of more than 8 per cent for the year as a whole. However, the second quarter's unexpectedly slower growth of only 6.8 per cent, while better than many other developed countries, came as a rude awakening to those used to double-digit rates.

While analysts at Fraser Roach and Hoare Govett are looking for GDP growth of 7 to 8 per cent for the next year, similar to the state's forecast of 6 to 8 per cent, Kim Eng Securities and Overseas Union Bank see GDP growth slowing to 4 to 6 per cent.

The fall in the yen relative to the Singapore dollar earlier this year has adversely affected Japanese investments in Singapore, as well as the republic's exports to Japan. Over the last few years, when the yen had appreciated strongly against the Singapore dollar, Japanese investments in the republic had surged.

Singapore has fared worse than many of its Asian neighbours in the past few weeks, partly because, unlike many of its neighbours, it is an island bereft of natural resources. The oil crisis has therefore hit it hard. Hoare Govett believes, however, that investors should continue to pick up stocks with good fundamentals: "The Singapore market's decline in August was one of the worst in Asia, but we are confident that a downrating is not justified."

In the meantime, the fortunes of the Singapore market remain closely linked with those of Tokyo. "It is hard to see much scope for upside unless the Tokyo market moves convincingly ahead," *cautions Hoare Govett.*

Nevertheless, this year's spate of new listings, with eight so far in 1990, looks set to continue, as the market awaits the entry of Provisions Suppliers, Singapore Petroleum Company and two government-linked companies – SAL Leasing and Singapore Electronic and Engineering.

ASIA PACIFIC

Nikkei retreats sharply on interest rate fears

Tokyo

INTEREST RATE jitters hit the market again yesterday, as rates on the short-term money market surged and bond prices tumbled. The market halted its rally of the previous two sessions, with the Nikkei average losing nearly 500 points to close below 25,000, *writes Michiyo Nakamoto in Tokyo.*

Yesterday's fall was partly in reaction to Monday's sharp rise, analysts said. The Nikkei average finished down 476.24 at 24,604.66 on sluggish volume of 400m shares, only moderately up from Monday's 330m.

Investors turned their attention to interest rates as bond prices continued to fall. The key December futures contract on 10-year government bonds fell to a low for the year in intraday trading as short-term interest rates tested new levels. There was concern that a central bank report on Japan's short-term business outlook would suggest an inflationary trend. At the same time, short-term rates were expected to continue rising on higher oil prices.

Arbitrage selling also put downward pressure on the Nikkei, as the index futures September contract approaches its expiry, due tomorrow. The settlement price is to be set by a special quotation, which will be determined by the first prices on Friday morning of the underlying cash stocks which constitute the Nikkei index.

Mr Graham Biggart at Schroder Securities commented: "All eyes are focused on what is going to happen on Friday morning."

Today the Tokyo Stock Exchange will announce the arbitrage positions outstanding at last Friday. This is in accordance with a new rule introduced after investors were unnerved by arbitrage activity earlier this year. If today's announcement indicates that considerable selling positions remain, investors would be very worried about the market, Mr Biggart said.

In this climate, share prices tracked a downward course from early on, with the Nikkei falling to a low of 24,470.71. The day's high was 25,064.01. Declines led rises by 609 to 322, while 137 issues were unchanged. The Topix index lost 22.58 to 1,880.70 and, in London trading, the ISE/Nikkei 50 index shed 6.06 to 1,418.94.

Speculative issues stole the limelight, with a number of them posting solid gains, while blue chips and large-capital issues suffered losses.

Iwatani, a trading company involved in the market for liquid petroleum gas, rose to the second slot on the volumes list with 11.7m shares traded and gained Y40 to Y1,200. The ostensible incentive was that there was great potential for its product as interest shifts to energy sources other than oil, but much of the buying was attributed to dealers.

Kurabo, which has been bought on talk that it was being pursued by speculators, was third in volume with 9.8m shares and added Y70 at Y1,870. Toyobo advanced Y79 to Y639 on speculative interest which ignored an expected 7 per cent fall in pre-tax profits in the year to March 1991.

Minebea, which is itself well known for its aggressive takeovers of other companies, surged Y100 to Y1,080 in active trading.

Issues with special incentives attracted attention in Osaka, but buying interest was not strong enough to give the OSE average more than a 15.60 points rise at the close to 28,901.55. Volume rose to 74m shares from Monday's 63m.

Roundup

AS IN TOKYO, the rest of the Pacific Basin lost impetus following Monday's technical rises and sentiment reverted to the muted depression which was widespread last week.

TAIWAN, as it so frequently does, exaggerated the trend elsewhere, the weighted index falling 126.39, or 3.62 per cent, to 3,361.59 after Monday's 5.41 per cent surge.

Hoare Govett calculates that investors have lost approximately US$177bn in market wealth over the past six months - the index peaked at 12,495.34 on February 10 – that the losses have left many of Taiwan's market players uncharacteristically gunshy, and that they could be enough to depress market sentiment for some time.

AUSTRALIA's Stock Exchange has introduced a new regulation aimed at improving surveillance and investigation of any suspicious share dealings, both in Australia and throughout the world. The rule was not designed for yesterday's trading, with turnover thin, and down from A$122m to A$109m as the All Ordinaries eased 0.6 to 1,499.1.

NEW ZEALAND fell 1.5 per cent in slender volume, and the further fall here from NZ$6.9m to NZ$6.2m came despite large block sales in Wilson Neill and Elders Resources. The volume situation, said to be having a depressing affect on sentiment, was thought unlikely to improve until after the national elections on October 27. The Barclays index fell 23.77 on the day to 1,565.22.

MANILA broke below the psychologically important 700 level, the composite index losing 6.32 to 695.36. David Bates of First Pacific Securities commented that the prospect of oil price rises, following a petition filed by Caltex (Philippines), has depressed the market.

HONG KONG saw its lightest trading since late January. The Hang Seng index slipped 4.17 to 3,083.57; turnover fell from HK$618m to HK$480m.

BOMBAY rose 3 per cent to another record, with the BSE index up 38.95 to 1,321.82.

EUROPE

Foreign influences blamed as bourses lose impetus

SURGING oil prices, lower overnight closes in New York and Tokyo and a dispiriting Wall Street opening were blamed for the sideways to lower tone of most bourses yesterday, *writes Our Markets Staff.*

FRANKFURT gave up almost all of Monday's recovery in a listless performance which featured a DM1bn slide in turnover to DM2.9bn, uncomfortably close to DM2.6bn, its 1990 low of September 3. The FAZ index was 9.30 lower at 674.16 in midsession and the DAX down 23.03 at 1,577.42 at the close.

Volatile stocks showed up again. AMB dropped DM44 to DM765 and Daimler, the most mercurial of the international blue chips, shed DM19 to DM697.

Fundamental analysis, however, may have made a small mark. At the end of last week, UBS Phillips & Drew looked at stocks with exposure to aluminium, the price of which has risen by a third since February. Viag, one of the stocks which it picked out, fell only DM1 yesterday to DM352.50.

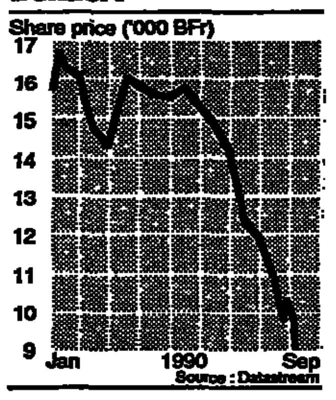
MADRID weakened, with most of the activity concentrated into the last 45 minutes of trading. The general index ended 3.86 lower at 242.41 in turnover estimated at Pta7bn to Pta8bn. News of a 0.48 per cent rise in inflation in August, with higher oil prices accounting for about 0.3 per cent, was in line with expectations, and had been discounted by the market, said one dealer.

Ercros, the chemicals group owned by the Kuwait Investment Office, was reported to be planning a rights issue. The stock fell Pta19 to Pta761. Banco Popular was the only banking stock to rise, adding Pta20 to Pta8,460 with 48,544 shares traded, including one put-through of 25,000 shares.

Mr Ignacio Garcia, manager of international dealing at Madrid brokers FG, said that FG, among others, was pressing the bolsa authorities to publish weighted average share prices, rather than closing prices. At the moment, he said, closing prices were being manipulated by dealers selling or buying small quantities of shares in the last few minutes, in order to present a higher closing price to clients who were buyers, and a lower one to clients who were sellers.

Bekaert

Share price ('000 BFr)



Source : Datastream

BRUSSELS measured the impact of Monday's 84 per cent drop in profits at Bekaert, the steel wire and cord producer, which fell BFr720 to BFr9,080 in volume of BFr65m. The cash market index fell 16.66 to 5,501.85 in volume of BFr400m. Société Générale de Belgique, several units of which will announce results next week, gained BFr40 to BFr2,630.

MILAN, where Italian mutual funds posted their third consecutive positive cash flow in August, ended with the Comit index 1.9 higher at 609.35. A mixed day brought buying into banking, insurance and telecommunications, while the paper and publishing sector dropped by nearly 3 per cent. Ifil, the Agnelli investment company, rose L140 to L6,880 on the news that it is taking a 7 per cent stake in Pechelbronn, the French investment company.

Consob, the Italian bourse watchdog, said that the margin requirement, lowered from 50 to 40 per cent on August 10 to ease selling pressure and help liquidity on the bourse, would be extended to the September trading account.

AMSTERDAM slipped in quiet trading. The CBS tendency index lost 0.5 to 104.4 after moving within a narrow range throughout the day. Turnover was modest at about Fl 413m.

Among the brewers, Grolsch, which was due to report first-half figures after the bourse closed, rose Fl 3.50 to Fl 151.50 and Heineken, which jumped more than 9 per cent on Monday after good results last week, eased Fl 1.80 to Fl 123.50.

PARIS saw the CAC 40 index down 7.82 at 1,653.94 in thin volume. Peugeot was one of the few active stocks, regaining FFr10 to FFr534 on bargain-hunting, with 319,725 shares traded; the stock fell FFr15 on Monday after a broker downgraded its earnings estimate.

Companies which have recently disappointed with profits announcements were punished again: Rhône-Poulenc dropped FFr6 to FFr234 and Sanofi shed FFr21 to FFr739.

ZURICH's Crédit Suisse index rose 3.8 to 541.8. On a thin day, Alusuisse rose a token SFr5 to SFr1,170; it said that it had not ruled out a dividend increase for 1990, although there were indications that group profit could drop by 30 per cent.

OSLO took its all-share index up 7.05 to 608.52 in turnover of NKr285m. In the oil sector, Norsk Hydro gained NKr5 to NKr241 and Saga Petroleum's B shares rose NKr3 to NKr182.

SOUTH AFRICA

GOLD AND platinum shares led Johannesburg lower again yesterday in lacklustre trading, as the precious metals' prices declined. The Gulf crisis and the violence in South Africa's black townships also depressed the market.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 11 1990								MONDAY SEPTEMBER 10 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	144.22	+0.4	115.58	127.45	119.26	117.60	+0.1	6.40	143.67	114.70	126.37	118.13	117.53	158.31	125.85	152.57
Austria (19)	219.99	−2.0	176.30	194.41	181.91	181.69	−1.4	1.50	224.52	179.25	197.49	184.60	184.31	285.63	193.15	149.69
Belgium (61)	138.66	−1.2	111.12	122.52	114.65	111.81	−0.4	5.18	140.29	112.01	123.39	115.35	112.27	160.02	132.11	133.51
Canada (119)	129.88	+0.1	104.08	114.77	107.39	109.37	−0.5	3.71	129.73	103.57	114.10	106.66	109.96	153.61	129.73	148.36
Denmark (33)	253.41	−0.7	203.09	223.95	209.55	209.64	+0.2	1.41	255.22	203.76	224.49	209.84	209.31	277.62	236.69	193.28
Finland (26)	116.78	−1.1	93.59	103.20	96.57	91.75	−0.2	2.99	118.04	94.24	103.83	97.06	91.97	152.29	116.78	129.91
France (122)	137.08	−1.0	109.86	121.13	113.34	114.56	−0.4	3.58	138.46	110.55	121.78	113.84	115.01	168.85	133.16	130.55
West Germany (92)	118.41	−2.1	94.89	104.65	97.91	97.91	−1.6	2.31	120.96	96.57	106.41	99.46	99.46	144.63	117.75	96.96
Hong Kong (48)	126.08	−0.2	101.04	111.41	104.26	125.78	−0.2	5.17	126.35	100.87	111.13	103.89	125.99	147.49	112.24	110.06
Ireland (17)	143.42	−1.7	114.94	126.74	118.60	119.69	−1.2	3.63	145.90	116.48	128.33	119.96	121.14	198.57	143.42	150.42
Italy (95)	88.05	−0.3	70.57	77.81	72.81	77.99	+0.2	3.03	88.34	70.53	77.70	72.63	77.82	109.26	87.35	92.13
Japan (454)	128.47	−1.8	102.95	113.53	106.24	113.53	−1.4	0.74	130.85	104.47	115.09	107.60	115.09	197.26	118.66	178.14
Malaysia (35)	218.28	−0.6	174.93	192.89	180.49	226.48	−0.4	2.61	219.61	175.33	193.16	180.56	227.35	250.89	195.23	199.49
Mexico (13)	520.06	+0.9	416.78	459.58	430.04	1644.98	+0.8	0.32	515.65	411.68	453.56	423.97	1631.58	561.41	324.53	318.70
Netherland (42)	138.22	−0.9	110.77	122.14	114.30	113.02	−0.4	5.04	139.53	111.40	122.73	114.73	113.45	149.03	130.43	126.47
New Zealand (17)	60.61	−1.5	48.58	53.57	50.12	52.10	−1.3	6.86	61.55	49.14	54.14	50.61	52.81	75.36	59.57	86.59
Norway (23)	266.72	+0.6	213.75	235.70	220.56	222.28	+1.4	1.43	265.06	211.62	233.15	217.94	219.28	276.79	202.34	181.30
Singapore (25)	169.70	+0.2	136.00	149.96	140.32	138.26	+0.2	3.02	169.33	135.19	148.95	139.23	138.00	209.24	156.96	168.02
South Africa (60)	170.50	−2.3	136.64	150.67	140.98	147.80	−1.3	3.92	174.45	139.28	153.44	143.43	149.54	251.39	170.00	154.86
Spain (42)	146.03	−2.4	117.03	129.05	120.75	110.41	−1.8	4.98	149.64	119.47	131.62	123.03	112.46	182.25	132.84	159.69
Sweden (34)	194.12	−0.7	155.57	171.55	160.52	167.33	−0.2	2.40	195.58	156.14	172.03	160.81	167.64	234.93	173.89	178.22
Switzerland (65)	93.19	+0.1	74.68	82.36	77.07	76.78	+0.9	2.76	93.10	74.33	81.89	76.56	76.10	109.77	88.75	88.47
United Kingdom (301)	158.46	−0.5	126.99	140.01	131.02	126.99	−0.1	5.42	159.24	127.13	140.05	130.91	127.13	176.18	139.87	152.31
USA (535)	129.53	−0.1	103.81	114.47	107.11	129.53	−0.1	3.80	129.70	103.55	114.09	106.64	129.70	148.95	123.62	141.91
Europe (872)	136.75	−0.9	109.59	120.85	113.08	111.34	−0.4	4.15	138.02	110.19	121.40	113.49	111.80	157.65	135.57	128.14
Nordic (116)	196.94	−0.6	157.83	174.04	162.85	159.59	+0.2	1.90	198.04	158.11	174.20	162.84	159.34	223.29	185.01	164.47
Pacific Basin (659)	128.84	−1.7	103.25	113.86	106.54	113.89	−1.3	1.14	131.03	104.61	115.25	107.74	115.34	192.75	119.53	172.87
Euro – Pacific (1531)	132.41	−1.4	106.11	117.00	109.48	113.58	−0.9	2.41	134.23	107.16	118.06	110.36	114.61	174.18	127.11	155.11
North America (654)	129.46	−0.1	103.75	114.42	107.07	128.22	−0.2	3.80	129.61	103.48	114.02	106.59	128.42	148.43	124.33	142.19
Europe Ex. UK (571)	122.73	−1.2	98.36	108.48	101.51	101.83	−0.6	3.27	124.24	99.19	109.30	102.18	102.45	145.62	121.42	112.77
Pacific Ex. Japan (205)	132.45	+0.1	106.14	117.08	109.53	114.86	−0.1	5.63	132.38	105.69	116.46	108.86	114.96	146.72	122.53	133.41
World Ex. US (1823)	132.92	−1.3	106.52	117.47	109.92	114.18	−0.9	2.46	134.69	107.53	118.48	110.75	115.20	173.77	128.14	154.98
World Ex. UK (2057)	128.00	−1.0	102.58	113.12	105.85	118.21	−0.7	2.62	129.24	103.18	113.69	106.28	119.03	162.00	121.96	148.97
World Ex. So. Af. (2298)	130.46	−0.9	104.55	115.30	107.89	118.87	−0.6	2.91	131.65	105.10	115.81	108.25	119.62	161.84	125.26	149.22
World Ex. Japan (1904)	133.16	−0.5	106.71	117.68	110.13	122.06	−0.3	4.01	133.76	106.79	117.67	110.00	122.37	151.59	130.40	136.86
The World Index (2358)	130.70	−0.9	104.74	115.50	108.08	119.06	−0.6	2.92	131.90	105.31	116.03	108.46	119.82	162.05	125.57	149.25